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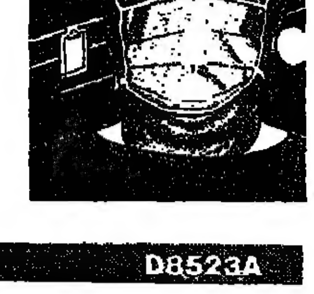

FINANCIAL TIMES

Friday May 29 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Spanish unions fail to halt nation with general strike

Spain's trade unions face some tough political decisions after failing yesterday to bring the country to a halt during a half-day general strike in protest at government spending cuts.

The morning strike had little effect in Madrid. Minimum public transport services decreed by the government in the face of fierce union criticism were exceeded. The government also held firm to its promise to use police to break up pickets trying to stop people using public transport. *Page 16; Editorial Comment, Page 14*

Mandela sets out moderate path: Nelson Mandela, leader of the African National Congress, set a moderate tone for deliberations of the ANC's policy conference when he said the organisation was challenged "to avoid unrealistic expectations and to define a sober set of priorities". Page 4

Washington passes energy bill: The House of Representatives has passed an energy bill which, according to its sponsors, could cut US oil imports by nearly one-third by the year 2010. Page 6

UN soldiers die in Croatia: The UN peacekeeping force in Croatia suffered its first fatalities when two Argentine soldiers were killed and 24 injured when their truck overturned.

Profits fall at Japanese banks: Japan's leading commercial banks have reported a decline in annual pre-tax profits for the third year in succession, due to the combined impact of the plunge in financial markets, an increase in costs and a rise in write-offs on bad loans. Page 17

Shanghai surprise for Chinese bulls: The Chinese, who have embraced share trading with enthusiasm, are having to get used to the concept of prices going down as well as up, after prices on Shanghai's stock exchange dropped 19 per cent in three days. Page 16

Russians wary of western practices: Managers of Russia's biggest industrial enterprises are supporting moves towards a market economy but believe it is "unethical" to adopt western practices such as mass layoffs and aggressive pricing policies to reach that goal. Page 16

JAL records first loss since 1985: Japan Airlines reported its first pre-tax loss since 1985, blaming a slump in foreign business travel and rising operating costs for the Y6bn ($46.1m) deficit for fiscal 1991. Page 20

Mars suffers legal setback: Mars, US-owned confectionery maker, lost a round in its legal battle over the European ice cream market when the Irish High Court ruled that Anglo-Dutch Unilever group was entitled to bar Mars products from its retail freezer cabinets. Page 2

Amoco scales back spending: Amoco, US oil and gas company suffering from reduced profit margins, is to scale back its planned 1992 capital and exploration spending by 12 per cent, from $3.7bn to $3.26bn. Page 18

Novell revenues rise 50%: Novell, US computer networking software company, reported a 50 per cent jump in revenues to $225m, up from $150.2m, for its second quarter. Page 19

Pepsico in Belarus joint venture: Production of Pepsi bottles will start later this year in the republic of Belarus under a joint venture expected to produce $100m of investment over the next five years. Page 3

Nippon Oil earnings fall: Nippon Oil, Japan's largest oil distributor, reported a 5.9 per cent fall in pre-tax earnings to Y44bn ($339m) due to rising costs and lower income. Page 20

European Parliament to raise Ecu1bn: The European Parliament hopes to raise Ecu1bn ($1.26bn) from the international capital markets to pay for its new parliament chamber, offices and secretariat in Brussels. Page 21

Frankfurt banks carved up: A 66-year-old pensioner was arrested by German police after allegedly using a motorised stonecutter to carve up 82 large bank windows and four cars in Frankfurt. Damage was estimated at DM1m ($600,000).

Capone henchman dies: Tony "Big Tuna" Accardo, reputed to have been Al Capone's successor and triggerman in the 1929 St Valentine's Day massacre, has died in Chicago at the age of 86. He earned his nickname after catching a 400-pound tuna off Florida, but was known to colleagues as "Joe Batters", apparently a reference to his use of baseball bats as weapons.

Indian broadcasting protest: Broadcasting workers took Indian television and radio off the air briefly yesterday in a protest to demand protection after Sikh militants beheaded an All India Radio supervisor in the Punjab city of Patiala.

■ STOCK MARKET INDICES		
FT-SE 100:	2,694.2	(-4.4)
Yield	4.55	
FT-SE Eurotrack 100	1,195.22*	(+0.66)
FT-A All Share	1,307.56	(-0.2%)
Nikkei	17,831.25	(+108.69)
New York: lunchtime		
Dow Jones Ind Ave	3,374.58	(+4.14)
S&P Composite	413.83	(+0.86)
■ US LUNCHTIME RATES		
Federal Funds:	3 7/8%	
3-mo Treas Bills: Yld	3.756%	
Long Bond	101 5/32	
Yield	7.879%	
■ LONDON MONEY		
3-mo Interbank	10 1/8%	(10 1/8%)
Liffe long gilt future:	Jun 99 13/32	(Jun 99 13/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jul)	$20.85	(20.875)
■ Gold		
New York Comex (Jun)	$337	(338)
London	$337.1	(338.75)
*Partial		

■ STERLING		
New York lunchtime:		
$	1.8045	
London:		
$	1.8055	(1.801)
DM	2.9375	(2.945)
FFr	9.8625	(9.8775)
SFr	2.665	(2.6775)
Y	234.6	(same)
£ index	92.6	(92.7)
■ DOLLAR		
New York lunchtime:		
DM	1.62765	
FFr	5.454	
SFr	1.4765	
Y	129.5	
London:		
DM	1.6265	(1.6345)
FFr	5.46	(5.485)
SFr	1.4755	(1.4865)
Y	129.5	(129.95)
$ index	63.8	(64.0)
Tokyo close Y 129.92		

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3500	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won2500	Philippines	Peso45	Turkey	L8000
France	FFr8.50	Kuwait	Fils500	Poland	Zl 18,000	UAE	Dh8.00
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Liquidation threat to Canary Wharf

O&Y admits receivership is a serious setback to hopes of financial reconstruction

By Robert Peston

GOVERNMENT hopes to regenerate London's docklands received a potentially lethal blow yesterday when Canary Wharf, the area's flagship development, went into administration under UK insolvency procedures.

Mr Steve Miller, financial adviser to O&Y, said the administration order was a "serious setback" in the attempt to organise a financial reconstruction of Canary Wharf's owner Olympia & York Developments, the world's biggest property developer.

The administrators – three partners from the accountancy firm Ernst & Young – hope Canary Wharf can re-emerge after several months in administration as a going concern. But they have received only £10m ($18m) from banks to cover all the project's costs until the end of the year and some bankers warned that liquidation was a strong possibility.

It also emerged that the Bank of England has been playing a key role as a messenger between Canary Wharf's 11 leading bank creditors and the UK government, which is interested in taking space at Canary Wharf but has been refusing to make a firm commitment to do so. The Bank wanted to do all it could to keep the project out of administration, short of putting overt pressure on the banks.

FINANCIAL COLLAPSE OF CANARY WHARF

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The government yesterday reiterated that civil servants would only move to Canary Wharf on commercial terms and that there would be no official bail-out of the project. However, it is understood that Lord Wakeham, the Lord Privy Seal who has been appointed by the prime minister to co-ordinate all government negotiations with Canary Wharf, has called an emergency meeting for early next week of several cabinet ministers whose departments may move to Canary Wharf.

Meanwhile, the 11 leading bank creditors who triggered the administration order by deciding on Wednesday that they would not provide sufficient funds to keep Canary Wharf as a going concern, are providing just £10m of new money to meet all the development's expenses until the end of the year.

This means that Canary Wharf administrators, who have taken control of the project from its management, will have to raise outside capital from new investors to complete vital work on the project. Canary Wharf executives disclosed yesterday that they have been in talks with potential investors for the past three months. One possible investor is the government of Singapore's Investment Office.

However, the likelihood that the Jubilee line underground railway will be extended into east London is now small. Bankers stressed there was no possibility that they would provide the £400m which Canary Wharf had promised to the government as its contribution to the costs of the extension.

Continued on Page 16

UN chief rejects call for troops to relieve Bosnia

By Michael Littlejohns in New York, Philip Stephens in Budapest and Laura Silber in Belgrade

Greek exporters take to sea, air and narrow road....Page 3

UNITED NATIONS troops should not provide protection for humanitarian aid efforts in Bosnia-Hercegovina, according to Mr Boutros Boutros Ghali, the United Nations secretary general.

The recommendation that the Security Council reject a European Community request for armed intervention came as diplomats put the finishing touches to a package of UN sanctions against Serbia to end the war.

While acknowledging it was for the Security Council to make a final decision, Mr Boutros Ghali warned that it would require large numbers of UN troops to secure several hundred kilometres of roads and to establish a defensive perimeter around the Bosnian capital, Sarajevo. The city has been cut off by Serb militia and Yugoslav army troops in a bid to starve it into submission.

There was a lull in the fighting around Sarajevo yesterday after heavy overnight clashes. In a bid to distance itself from Wednesday's mortar attack on Sarajevo which left 17 dead and 80 wounded, the rump Yugoslav presidency yesterday called on the UN to investigate the "massacre".

However, diplomatic moves to impose mandatory sanctions could reach fruition today, according to Mr John Major, the British prime minister.

Speaking in Budapest after talks on the crisis with Mr Joszef Antall, the Hungarian prime minister, Mr Major said that the sanctions were likely to include a trade embargo, a freeze on Serbia's overseas assets, severe restrictions on commercial flights, the suspension of all official sporting contacts and the break-off of scientific, technical and cultural co-operation.

The terms of the resolution under discussion by UN ambassadors also included provision for an oil embargo from the middle of next month if Serbia did not act to halt the fighting. Mr Major said that the precise terms of the resolution were still under discussion. "But I hope it will be agreed by the United Nations by the end of this week...that it will be a binding and mandatory series of sanctions."

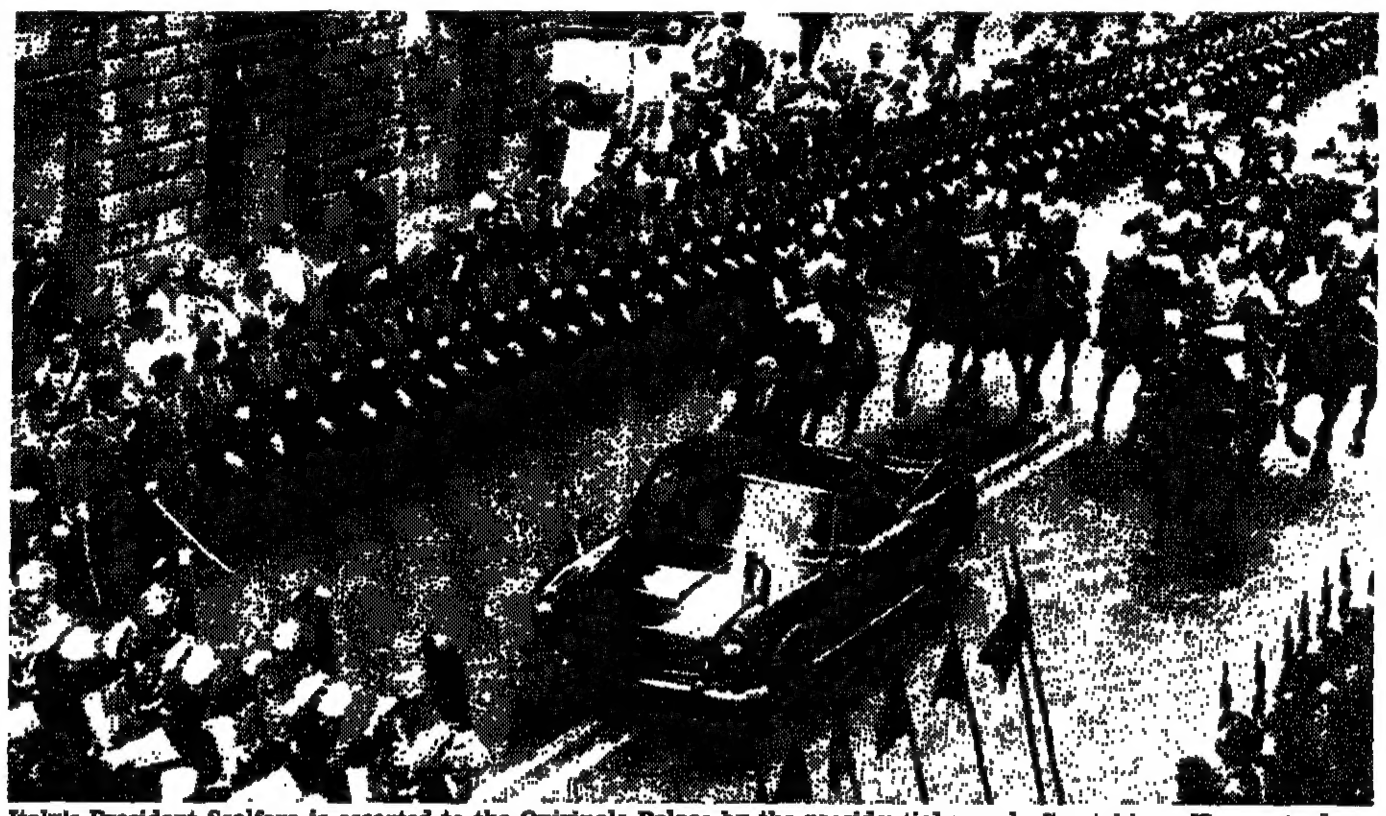
Mr Boutros Ghali urged the Security Council to bear in mind that authorising hostile action against "certain factions" in Bosnia-Hercegovina could make it more difficult to secure the co-operation needed for the UN to fulfil its mandate in the protected areas in Croatia.

A "less ambitious possibility" would be to use UN troops to protect relief convoys between Sarajevo airport and distribution centres in the city, he said.

A more promising course would be a determined effort to persuade the warring parties to conclude and honour agreements permitting unimpeded delivery of aid to "all suffering civilians," said the Secretary-General. But numerous efforts to secure ceasefires have failed after Serb militias and the Yugoslav army have prevented any supplies from going into Sarajevo.

In Belgrade the Serbian Orthodox Church attacked the policies of President Slobodan Milosevic in an unprecedented open letter.

The church, which had supported the nationalist politics of Mr Milosevic, yesterday appealed for his resignation and the formation of a government of national salvation. "We remind everyone in power that not one single chair is as important as the fate and freedom of the nation."



Italy's President Scalfaro is escorted to the Quirinale Palace by the presidential guard after taking office yesterday

Italy's new president calls for reform

By Robert Graham in Rome

MR Oscar Luigi Scalfaro, Italy's ninth president, yesterday took the unprecedented step of calling for a constitutional overhaul in his inaugural address to parliament. a

The only president to take an initiative of this kind, the 73-year-old former Speaker of the Chamber of Deputies left no doubt that he intended to encourage institutional reform and inject new morality into public life.

"I believe the president's task consists above all else in taking note of the popular will and, within the constraints of his powers, ensuring this is translated into valid and effective results," he said.

That popular will, he noted, had been expressed in the April 5 general election which saw the traditional political parties humiliated by a large protest vote.

"In this light, the president of the republic from this moment invites parliament respectfully but firmly to nominate a commission of the two houses with a brief to revise the entire institutional framework."

He also emphasised public morality, in a clear reference to the country's corruption scandals, notably in Milan. "The misuse of public funds is a very serious matter, defrauding honest taxpayers and abusing citizens' confidence: there is no worse evil, no greater danger to democracy than the dirty involvement of politics with business."

Mr Scalfaro was elected on Monday as a compromise candidate proposed by his Christian Democrat party. He was backed by the four-party Christian Democrat-led coalition, as well as the former communist Party of the Democratic Left (PDS), as a candidate whose reputation was untainted by corruption.

In his speech, Mr Scalfaro also warned of the need for urgent

Continued on Page 16

Bond faces jail after court convicts him of dishonesty

By Kevin Brown in Perth

MR ALAN BOND, the bankrupt Australian entrepreneur, was in prison last night after a Perth jury convicted him of dishonestly inducing a businessman to take part in a A$370m (US$280m) corporate rescue.

Mr Bond, the former chairman of Bond Corporation Holdings, was remanded in custody overnight to await sentence today. He faces a maximum penalty of five years in prison and a fine of A$20,000.

The jury took nearly six hours to consider the events surrounding Mr Bond's part in the rescue of Rothwells merchant bank after the global stock market crash in October 1987.

Mr Bond denied inducing Mr Brian Coppin, a millionaire insurance broker, to sub-underwrite a rights issue without revealing that Bond Corp would receive a A$16m success fee. Mr Bond admitted going to Mr Coppin's home to complete details of the sub-underwriting, but claimed he was unaware that a fee would be paid until two weeks later.

Mr Ian Callinan, defending, said Mr Bond was "a very debased individual". He had fallen a long way from the dizzy heights of five years ago, when Bond Corp was a major international brewing and media group.

Mr Callinan also urged the jury not to make Mr Bond a scapegoat for the failure of Rothwells. It collapsed a year after the rescue at a cost of hundreds of millions of dollars to Western Australian taxpayers.

But the jury accepted the prosecution case that Mr Bond and Mr Laurie Connell, chairman of Rothwells, agreed the fee before the completion of Mr Coppin's sub-underwriting agreement.

Mr Bond's lawyers are expected to consider an appeal after he has been sentenced. Mr Bond was declared bankrupt last month with debts and contingent liabilities of more than A$700m. He resigned as chairman of Bond Corp in September 1990, two days before the group announced a record loss of A$2.2bn.

Bond Corp is being restructured under a debt-for-equity swap which will reduce Mr Bond's holding from more than 50 per cent to 5 per cent. Most of its assets have been sold.

Bond loses licence to overkill, Page 4

CONTENTS

Danes wonder if it's time to get off the Eurowagon

Many voters are having second thoughts about EC unity, writes Hilary Barnes

FOR MANY Danes, Europe appears to be rolling in the wrong direction. A majority of them may be about to stop the unity bandwagon just long enough for their country to jump off.

Next Tuesday Danish voters decide in a binding referendum whether to accept or reject the Maastricht treaty agreed last December. The vote represents the first direct test of public opinion on the European union treaty in any of the 12 EC member states. It poll will be followed by a referendum in Ireland on June 18, and, possibly, by one in France later in the summer.

The Danes – traditional Euro-sceptics – are showing strong signs of post-Maastricht irritation. In the first three weeks of May, opinion surveys consistently showed small majorities against the treaty. A May 26 Gallup poll, however, indicated 41 per cent in favour, 39 per cent against.

Mr Uffe Ellemann-Jensen, the foreign minister, and Denmark's most enthusiastic and tireless pro-Maastricht campaigner, dismisses as irrelevant speculation of a negative vote. "None of it matters, for there will be a Yes. The Danish people have got too much sense to say No," he declares.

Even if Mr Ellemann is right, the pro-Europe vote seems almost certain to be much smaller than on the two previous occasions when Danes were consulted about European policies. In the 1972 referendum on EC membership, 63 per cent of voters were in favour of joining the Community. In 1986, in the poll on the Single European Act, 56 per cent of voters said Yes.

There are many reasons for anti-Maastricht feeling. They range from complaints about the European Commission's strictures on sales of over-curvaceous cucumbers to fears that, in a federal Europe, Denmark will be dominated by 80m Germans.

Critics of Maastricht advance arguments on policies which will not be directly implemented by the treaty. These include establishing a European army and proceeding to economic and monetary union (which Denmark would join only after yet another referendum). Above all, opposition focuses on worries about loss of sovereignty and self-determination, and general antipathy to the Brussels bureaucracy.

Opinion polls indicate a striking gulf between the people and the political and corporate establishment. The Folketing (parliament) voted by a comfortable 130 votes to 25 to ratify the treaty. The trade unions, all the main business organisations and almost every newspaper of any consequence are urging the electorate to vote in favour. The voters appear unimpressed.

The campaign against Maastricht is headed by the two parties which voted against in the Folketing. These are the populist right-wing Progress Party, which wants to keep the Community as it is, and the left-wing, erstwhile Marxist, Socialist People's Party.

The opposition Social Democratic Party and the unions are in a particular dilemma. They support Maastricht, but two thirds or more of their normal supporters are against.

The Confederation of Danish Trade Unions was even forced to cancel a pro-Maastricht demonstration in Copenhagen on May 22. It feared a repeat of events on May Day, when its chairman, Mr Finn Thorgrimson, had to break off his speech because of a barrage of catcalls and rotten fruit.

If Denmark votes No on June 2, what would be the effect on the rest of Europe? As a first step, on June 3 the Irish government would be expected to ask the other members to reaffirm their commitment to the treaty. Although this would require a new treaty excluding Denmark, the signals are that the other 11 members of the Community will implement European union whatever the outcome of the Danish vote.

Denmark might then have to accept an associate membership agreement along the lines of the European Economic Area deal with the Efta countries, according to Mr Henning Christophersen, the Danish EC commissioner.

Legally as well as practically, a two-tier European union would create enormous problems. Denmark as a signatory to the Rome Treaty would be represented in some EC bodies but not others.

Mr Niels Ersbøll, the Danish secretary-general to the European Commission, argues that such an outcome would be unsustainable. Denmark would then, he says, be detached from the Rome Treaty institutions as well.

Supporters of the treaty such as Mr Christophersen and Mr Ersbøll ceaselessly deploy the argument that Denmark cannot afford to be left out on the Maastricht road. One obstacle may, however, be particularly difficult to surmount: far more women are against the treaty than in favour. Perhaps, quips Mr Ellemann-Jensen, because virtually all the people telling them to say Yes are men.

Russian role in Moldova underlined

By Chrystia Freeland in Tiraspol

CHILDREN laid flowers yesterday on four fresh graves of Russian army officers who died in the fighting in Moldova's breakaway region of Trans Dnestr.

The graves, in the central square of the region's capital, Tiraspol, seem to back up Moldovan claims that on May 19 parts of Russia's 14th army began to fight openly on the side of Trans Dnestr's Slavic separatists.

The war of words escalated over the role of Russian soldiers in the fighting, as a man was reported killed and three injured in a fresh clash between the region's largely Slav national guard and Moldovan militia near the outpost of Bendery.

On Wednesday, President Boris Yeltsin of Russia pledged that the 14th army would be withdrawn from Moldova, whose strong ties with Bucharest have aroused fears among the separatists that Trans Dnestr could one day be swallowed up in a greater Romania. The region declared independence from Moldova in September 1990.

Mr Mircea Snegur, the president of Moldova, yesterday described Mr Yeltsin's move as "a victory for commonsense", but said he feared Russian hardliners might block the withdrawal.

The Trans Dnestr Womens' Defence Committee, which has been collecting weapons from unprotesting soldiers at Russian army barracks, said it had been assured by 14th army officials that the soldiers would not withdraw until the conflict was over. Over 100 people have died in the fighting in the past four months.

A defiant Mr Igor Smirnov, president of the breakaway republic, said yesterday he expected soldiers and officers from the 14th army to remain in the region and join the Trans Dnestr armed forces. That manpower, combined with Trans Dnestr's strong industrial base which Mr Smirnov said is being geared to military production, would be enough to defend the republic if the 14th army pulled out, he said. Mr Smirnov said entire units of the 14th army might join the separatist side.

Guarded by khaki-clad young men toting Kalashnikovs, Mr Smirnov said officers from the right bank of the Dnestr river, where Moldova has taken over most former Soviet forces, had defected to the Trans Dnestr military.

Mr Smirnov did not deny Moldovan allegations that the war was costing Trans Dnestr 1m roubles a day but said that funds from Russian enterprises and individuals were offsetting the cost.

Mars loses a round in battle over ice-cream

By Guy de Jonquières, Consumer Industries Editor

MARS, the US-owned confectionery maker, yesterday lost a round in its legal battle over the European ice cream market when the Irish High Court ruled that the Anglo-Dutch Unilever group was entitled to bar Mars products from its retail freezer cabinets.

The ruling follows a European Commission decision two months ago that Langnese-Iglo, a Unilever subsidiary, and Schöller Lebensmittel, another German ice-cream maker, were acting illegally by maintaining exclusive ties with German retailers which kept Mars products out of their stores.

The Commission also reached an interim decision that exclusive freezer agreements operated by Unilever – Europe's biggest ice-cream maker – infringed EC competition law.

Mars yesterday sought to overturn a two-year-old Irish court injunction preventing it from putting its ice cream into freezers owned by H.B.Ice Cream, an Irish Unilever subsidiary.

However, the High Court said the injunction did not violate EC or Irish law.

Mars said it would appeal against the ruling before the Irish Supreme Court and possibly in the European Court of Justice.

It also expressed confidence that the EC Commission would decide formally to prohibit exclusive freezer agreements.

Hungary gives boost to home-grown capitalism

By Nicholas Denton in Budapest

THE focus of Hungarian privatisation is to turn inwards, to give preference to domestic over foreign investors, the government announced yesterday.

Mr Tamas Szabo, Hungary's privatisation minister, launched a battery of measures designed "to give a push to local investor demand".

The most concrete change in policy is an explicit commitment that domestic investors will be preferred over foreign companies in the case of similar bids, whereas price was previously the all-important factor.

Further help for domestic investors who cannot afford to buy a state company outright will come in the form of concessional leasing or option arrangements.

The new schemes will be financed partly by using Ft16bn (£110m) of the Ft57bn (£392m) of privatisation sale proceeds forecast for 1992.

Hungary has also turned towards Czechoslovak-style privatisation schemes to spur domestic ownership by distributing some state property rather than selling it. The government is to hand over state assets to institutions such as universities, though mass distribution of shares to the public at large is still not on the agenda.

The change of emphasis comes at a time when both the government and privatisation itself are increasingly unpopular and marks a concession to political pressure for home-grown and popular capitalism after two years in which Hungary has relied almost exclusively on foreign corporate investors to take property off state hands. Nine out of the top ten privatisations by value last year were to western companies.

Mr Szabo said that it was necessary to favour domestic investors in order to preserve the overall momentum of privatisation at a time when public showed a "tendency" to suspect foreign economic domination.

A survey this month showed that opinion was divided on privatisation with 39 per cent in favour of selling off state industry and 34 per cent against.

Public attitudes to foreign investment and privatisation have been coloured by their coincidence with a deep recession which saw gross domestic product fall by 10 per cent last year.

Hungary has been, until now, the most welcoming of east European countries to western investment, a stance rewarded by \$3.5bn (£1.97bn) in accumulated foreign direct investment, about 60 per cent of the total for the region as a whole.

The inflow helped boost the private sector to 25-30 per cent of gross domestic product.

New guard under pressure from younger blood

Ruling conservatives, writes Nicholas Denton, are suffering the democratic malady of mid-term blues

TWO YEARS AFTER free elections, Hungary's victorious conservatives are suffering from an acute case of that very democratic malady: the mid-term blues.

Hungarians, more accustomed to protest in demonstrations and against communists, are now learning to vent dissatisfaction with their new democratic rulers in the time-honoured western way: through opinion polls and by-elections.

There is much with which to be dissatisfied. Recorded gross domestic product (GDP) declined by 10 per cent last year. The bulk of the population has suffered deteriorating or stagnating living standards, made all the more frustrating by the showy prosperity of the remaining tenth.

No wonder that several international polls showed Hungarians to be the gloomiest people in the world. No wonder, too, that the Hungarians want to punish their government.

With what a vengeance. Support for the Hungarian Democratic Forum, holder of 42 per cent of seats in parliament and the leading party of the conservative governing coalition, has dived to a humiliating 15 per cent in the latest Gallup opinion poll. Low enough to push Mr Bela Kadar, the influential minister of international economic relations, into a humiliating third place in a by-election last week in the provincial town of Bekescsaba.

One thing is even more galling for Mr Jozsef Antall, the ailing conservative prime minister. The beneficiary of the government's unpopularity is a bunch of kids.

If one believes the polls, a group of recent graduates from Budapest University is heading for an absolute majority at the next parliamentary elections. With about 50 per cent of support in the most recent Gallup polls, the young free-market liberals of the Alliance of Young Democrats would reduce the ruling centre-right coalition to a rump, and Mr Viktor Orban, the 28-year-old party leader, would sweep Mr Antall from the prime minister's office.

The Young Democrats have gone from 9 per cent of the vote and junior partner in the liberal opposition in the 1990 parliamentary elections, to 18 per cent in local elections, to an opinion poll lead since last year. A joint candidate with their liberal allies inflicted last this month's by-election defeat on the government.

As a result, the government has taken more than just a leaf from the western instruction manual: blame bad news on its bearers – the polling organisations and the media.

Officials doubt the reliability of polling organisations, particularly Hungarian ones, and stress the fickleness of voters in general, and Hungarian voters in particular, whose party loyalty and sense of civic duty remain immature.

They say that the voter's mind has been poisoned by the media, which, conservatives claim, is full of liberals and communists. Such is the government's displeasure with news coverage that it has tried to sack the heads of state radio and television, stumbling into a constitutional clash with Mr Arpad Goncz, the liberal president.

The government, while admitting to some public dissatisfaction, is still only halfway through its four-year term and remains sanguine. If mid-term blues is the malady, the conservatives put their faith in a classic western remedy: a pre-election boom. The government's strategy calls for the recession's bottoming-out this year and output growth reaching 4 per cent in time to win the 1994 elections on the feel-good factor.

An extraordinary cabinet session recently decided to stimulate the economy through extra infrastructure spending and incentives for Hungarians to buy into privatisations. "The old industries are shut down; something has to be started again," said an aide to the prime minister. Even without an active further inflating of the economy, the public-sector deficit is set to roughly double the 1992 target agreed with the International Monetary Fund.

The conservatives also can always appeal to the voters to support the devil they know. "A governing party can win an election even when everybody hates the government, if they see no real alternative," a prime ministerial aide said.

The government dismisses the Young Democrats as a passing phenomenon, laughing at the notion that Mr Orban might be Hungary's version of Spain's Felipe Gonzalez: a young radical taking power after dictatorship and a centre-right interregnum.

But others are taking the Young Democrats increasingly seriously, not least the electors, who say they like the Young Democrats' freshness, honesty, innocence and freedom from the past, rare enough qualities in post-communist eastern Europe.

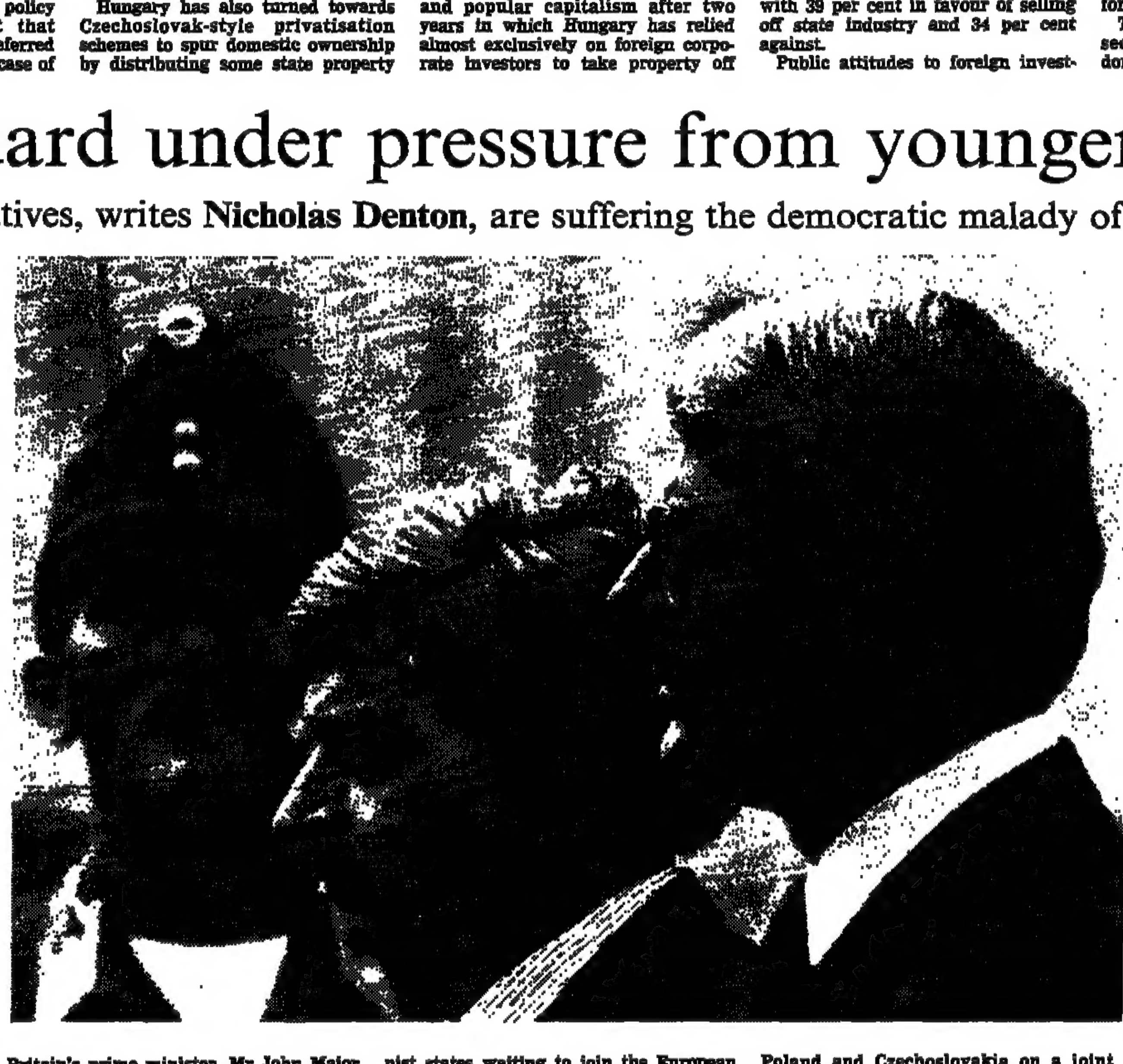
However, the Young Democrats are not appealing just to public sympathy. They have confronted the government on the battleground of economic competence. It no accident that Mr Orban calls himself a "political manager" and rivals label the Young Democrats as "yuppies disguised as revolutionaries."

The party has taken a fanatically rational approach even to the most emotional political issues. For instance, it opposed on economic grounds legislation to compensate those whose property was confiscated by the communists.

Moreover, the party's unswerving technocrats have attracted a warm response from the business elite, who are still searching for a political home and frustrated at what businessmen see as the government's lack of understanding.

A leading Hungarian investment banker says that most older democratic politicians are "bruised" by life under the former communist regime: "They spend too much time correcting the mistakes of the past rather than building the future. Economic problems do not get the importance they deserve. We need a new generation which has not gone through frustrations in life."

But then again, the mood of the business establishment could just be another transitory symptom of the mid-term blues. The Young Democrats have two years to ensure it is not; the conservatives have two years to start the economic growth that makes any government look competent. The competition has a very western feel.



Britain's prime minister, Mr John Major (above right), was yesterday welcomed to Budapest with full military honours by Mr Jozsef Antall, his Hungarian counterpart (above centre), at the beginning of a two-day official visit. Hungary later won backing from Mr Major for its claim to be the first in the queue of former communist states waiting to join the European Community, writes Philip Stephens from Budapest.

A joint declaration signed by by the two men, included an explicit recognition of Budapest's ambition to be part of the EC before the end of the century. Earlier this year, Hungary signed an agreement with Poland and Czechoslovakia on a joint approach to entry to the Community.

Mr Antall yesterday reaffirmed that accord but made it clear that he did not want Hungary's application to be held up if the transition to a market economy in the two central European states took longer than expected.

Romanian links with US improve

By Virginia Marsh in Bucharest

THE US and Romania are well on the road to improved economic and political relations, Mr Lawrence Eagleburger, the US deputy secretary of state, said after signing a bilateral investment treaty in Bucharest yesterday.

The treaty would lead to a "substantial improvement" in the investment climate in the country and would encourage more US companies to come to Romania, said Mr Eagleburger, the most senior US official to visit the country for more than two years.

US investment in Romania totalled \$39m between January 1990 and April 1992, 12 per cent of the total pledged by foreign investors. Colgate-Palmolive, Coca-Cola and PepsiCo are among the country's largest investors.

Mr Eagleburger's visit comes at a critical time for Romania which is trying to improve its international standing and attract increased foreign investment. Renewed US support for Romania reflects the strategic importance of the country, which borders the Yugoslav republics, Moldova and Ukraine.

Relations between the US and Romania were strained during 1990 and 1991 due chiefly to US concern about the Romanian authorities' handling of anti-government demonstrations, the lack of an independent television station and fears that the general election of 1990 were not held democratically.

Correction

Italian interim leader

In the editorial comment on Italy on page 18 of the Financial Times of May 27, Mr Giovanni Spadolini was incorrectly described as justice minister instead of interim president of the republic.

Poland may uncover security service links

By Christopher Bobinski in Warsaw

THE vexed issue of past collaboration with the communist secret police, which has never been properly aired in Poland, came to the fore yesterday, to complicate manoeuvres over the future of the country's centre-right minority government.

Mr Janusz Korwin Mikke, a deputy from the small right-wing UPR group, signalled that he would put a motion ordering the Interior Ministry to "provide full information on government officials, senators, deputies, judges and lawyers who had worked with the SB security service between 1945 and 1992". Initial reactions showed that it would get a majority.

The Interior Ministry is quietly conducting such investigations.

Meanwhile, the government of Mr Jan Olszewski has decided to soldier on, despite a letter to parliament on Tuesday from President Lech Walesa which suggested in no uncertain terms that the government should be replaced.

The Democratic Union, the leading group seeking to topple Mr Olszewski, is planning to table a no-confidence motion, but the vote would not be until next week, after this year's budget has been passed.

Straw polls of the ten major political groups in parliament suggest that a motion of no confidence would produce a slight overall majority for Mr Olszewski.

Delors warns against 'germ' of nationalism

THE European Commission president, Mr Jacques Delors, said yesterday that nationalism was a germ which could tear Europe apart again as it stood on the threshold of unity, Reuter reports from Aachen.

"One-sided nationalist policies are today a luxury nobody can afford, either politically or economically," he said after receiving one of Germany's highest political awards, the Charlemagne Prize, for promoting European unity.

He warned politicians against giving in to nationalist opportunism, which he said was rooted in fear of the future and would only destabilise Europe again if given free rein.

Russian Foreign Intelligence Agency to close down parts of global network

Former KGB arm to cut back agents

By John Lloyd in Moscow

THE Russian Foreign Intelligence Agency, formerly the foreign intelligence arm of the KGB, is to cut back its agents at home and abroad by one-third, according to Lieutenant-General Vyacheslav Trubnikov, its deputy director.

The FIA would no longer attempt to maintain a global network and would withdraw completely from some – unspecified – areas of the world. He conceded that the agency, which once enjoyed unlimited access to funds, was at times strapped for cash.

His appearance at a press conference yesterday was the most recent step in the efforts being made by the FIA to present itself as user friendly and little more than a modern consultancy company.

Gen Trubnikov said he also wanted to clear up misunderstandings following statements by Mr Robert Gates, the CIA director, that the Russian FIA had continued many of the same operations as the KGB.

He said that it was now "re-orienting itself according to the orders of the Russian government", and was paying close attention to economic issues.

In particular, he said, the FIA was checking on the suitability of foreign companies seeking to do business in the former Soviet Union.

It was also carrying out analysis of the \$24bn-worth of aid being offered by the Group of Seven industrial countries to Russia to determine whether it was the best form of assistance.

General Trubnikov said that in his personal view, debt relief would be a better form of support.

The general did not specifically refute other charges by Mr Gates that the FIA was now oriented more towards industrial and technical espionage. Nor did he address the charge that the US remained the main target of this activity.

The FIA is now giving information to all member states of the Commonwealth of Independent States – a membership which excludes the three Baltic republics and Georgia.

He said that while Azerbaijan, the least committed of the members, had not signed a joint security agreement, he expected it to be a customer for Russian intelligence.

Gen Trubnikov claimed that there were, by agreement, no FIA agents operating within the CIS member states – though he conceded that it was of primary importance that Russia should know what decisions were being made in these republics.

He said that relations with other intelligence agencies had "radically increased" – even with the historic enemy, the CIA, though he said that there was a slow response from the US agency to FIA overtures.

"We lack a climate of confidence," he said. "The CIA must start thinking about the new rules of the game, and they have suggestions from the FIA on this".

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Japan warns US chip makers over imports pressure

By Robert Thomson in Tokyo

JAPAN'S electronics industry might reduce its purchases of US semiconductors if the US applies "too much" pressure for increased imports, Japanese government officials warned yesterday.

The warning follows Washington's decision to review the US-Japan chip pact and examine ways of improving exporters' access to the Japanese market, where the foreign share has hovered at 14 per cent for the past year.

Tokyo fears chips will be targeted by Washington during the US presidential election campaign, in an attempt to show the Bush administration has been tough on trade with Japan.

The two countries disagree over interpreting the pact, signed last year and replacing a 1986 agreement. Japan says the wording provides no market share guarantees; the US chip industry argues the pact needs at least 20 per cent foreign share by the end of this year.

At the end of last year, the foreign share was 14.4 per cent, with little chance the 20 per cent figure will be reached. A Ministry of International Trade and Industry official said: "If this review doesn't just look at market share and creates a better understanding about the long-term relationship between the two industries, we think it may have a good effect."

If Washington applied unnecessary pressure, the official said, Japanese companies would be "discouraged" and might cut their purchases of foreign chips. He blamed the stalled market share on the slowing of the domestic economy and inability of medium-sized US makers to penetrate the Japanese market.

The Electronic Industries Association of Japan (EIAJ), which is due to meet US chip industry representatives in Tokyo next week, said some US companies had sold their chips in Japan, but others have failed to meet customer specifications.

"A Japanese customer was looking for small and thin chips, but found US semiconductor companies could not make it. We are collecting stories like that," the EIAJ said.

Greek exporters take to sea, air and narrow road

War in what was Yugoslavia, writes **Kerin Hope**, means finding new routes to Community markets

FOR GREEK exporters, war in the former Yugoslavia already means higher transport costs, fear of goods being hijacked and, for producers of oranges and cucumbers, a sizeable loss of business.

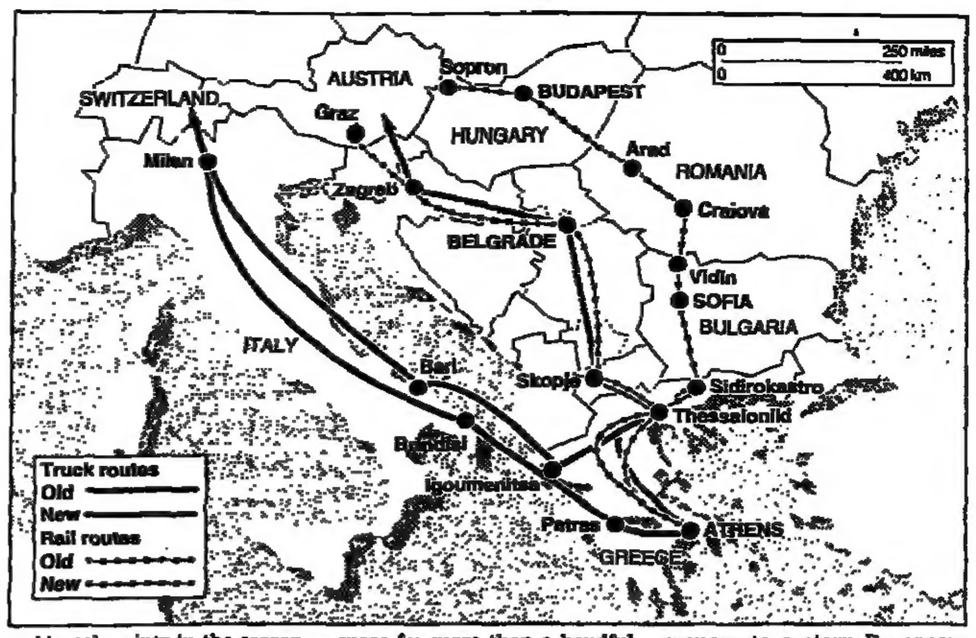
International sanctions against Serbia are likely to pose further problems for Greek trade with the European Community, which last year accounted for two-thirds of total trade worth $25.8bn (£14.5bn). Until last summer, around 40 per cent of Greece's trade with its EC partners passed through Macedonia and Serbia. In the past 10 months, road haulage traffic through the northern Greek border has dropped by half, while trains to Belgrade and Munich no longer run regularly.

Customs officials say 100-150 international long-distance TIR trucks used to cross the Yugoslav and Bulgarian borders every day. Now fewer than 70 do so. Most drivers prefer to take a slow two-lane road through Bulgaria rather than the Belgrade highway. Greek exporters and freight forwarders expend ingenuity devising alternate routes to western Europe that avoid Serbia.

Agreement was reached earlier this year on a new rail route to Austria through Bulgaria, Romania and Hungary. But problems of time-keeping and theft still loom, says Mr Kriton Ioannides of Proodos, a Greek freight forwarder. "Quality was lacking: not enough trains were available in Romania to be sure of keeping to schedule; rail theft is a problem in all east European countries."

Proodos, which imports white goods and cars by rail and exports fruit and vegetables, organised special trains to travel non-stop between Austria and Greece with an armed escort aboard. "We had the train put together at the Austrian border and made sure that, if it stopped, it would be at a small station where the guards wouldn't be attacked," Mr Ioannides said.

Trains can reach Greece in 35 hours, the time taken on the old rail route through Croatia and Slovenia. Mr Ioannides says higher costs are not enough to deter traders if it becomes impossible to transit Serbia. Trucks now take a more expensive time-consuming route, using ferries to Italy from western Greek ports. But costs are up to 30 per cent higher for manufactured goods and up to 90 per cent higher for fresh fruit and vegetables at times when the bulk of a crop becomes available.



At peak points in the season, especially summer when tourists' cars compete for space with trucks carrying grapes or peaches, not enough ferries are available. Also, the small western Greek ports are not equipped to handle large numbers of TIR trucks. An Igoumenitsa harbour official said: "Even in January it was chaos here when the oranges were leaving. We don't have parking space for more than a handful of 20-tonne trucks."

Farm produce accounts for more than 20 per cent of Greek exports, with fresh fruit and vegetables the highest earners. But, last winter, orange exports to the EC fell by 38 per cent to 87,500 tonnes, according to Incofruit, the exporters' association. Cucumber exports were down by 37 per cent to 29,700 tonnes. Exports of oranges to eastern European countries rose by 22 per cent to 157,000 tonnes, but overall fruit and vegetable earnings still declined to $352m for the 1991-92 season, a 6 per cent fall from the previous year.

Mr George Polychronidis, director of Incofruit, estimates that exports of oranges and cucumbers would have been 20 per cent higher if access to EC markets had been easier. "We lost market share in the EC both because of higher transport costs and poorer quality because the produce was on the road an extra 24 hours. Sales to eastern Europe can't compensate because prices are much lower and the market is still very unstable."

Bumper harvests of cherries and peaches were expected this year, but these were too expensive to find markets easily in eastern Europe. Exporters on the island of Crete, which accounts for more than 50 per cent of Greek fruit and vegetable exports, are planning for the first time to air-freight produce, aboard charter flights taking European tourists home from holidays. After years of resistance to similar proposals, the Greek ministry of transport last week agreed that tourist charter jets could carry a limited amount of cargo.

A report by the Chamber of Commerce in Heraklion, Crete's principal town, estimates that up to 750 tonnes of fruit and vegetables could be shipped each week to cities in Britain, the Netherlands and Germany. "Air freight costs twice as much as road and ferry. But we think this can be covered by the extra value of fruit marketed within a few hours of being picked," a Chamber official said.

Pepsico in Belarus bottle joint venture

By John Lloyd in Moscow

PRODUCTION OF Pepsi bottles will start later this year in the republic of Belarus under a joint venture officially announced in Moscow yesterday. The venture, named Belpak, is between Pepsico International and Eastman Chemical Company, both of the US, and Khimvolokno chemical company and MPOST synthetic textile enterprise, both of Mogilev, Belarus.

The venture will make plastic bottles for soft drinks and is expected to produce $100m (£56.4m) of investment over the next five years from hard-currency earnings. The initial investment, which was said to be "modest", was not disclosed.

From the autumn, Belpak will produce polyethylene terphthalate resin (PET), a clear recyclable plastic used in making drinks bottles.

Half the production will be used for Pepsi bottles in the former Soviet Union, while the rest will be exported to west and east Europe for hard currency.

The hard currency profits will be split equally between the two US partners and the two Belarus enterprises. Production of the PET resin is expected to grow to 25,000 metric tonnes annually, equivalent to 500m 2-litre bottles a year.

Pepsico, the leading soft drinks maker in the former Soviet Union, has a history of innovative agreements since opening its first facility there in 1974. It trades its soft drink for exports of Stolichnaya vodka and, in the past two years, commercial ships built in the Ukraine.

Mr Donald Kendall, Pepsico's former chairman, said: "There is no question that US and other western companies should come into this market now. People who wait for political stability or better convertibility of the rouble will lose out to others."

Andriessen mulls new US ideas on farm reform

By Nancy Dunne in Washington

MR Frans Andriessen, EC external relations commissioner, is bringing back to Brussels "new ideas" formulated by US cabinet officers to break the deadlock over farm trade reform in the Uruguay Round. In a day of intensive talks on Wednesday, US and EC officials exchanged suggestions and tried to work out "new formulas" now to be discussed in the EC Commission, a Brussels official said in Washington yesterday.

Senior US and EC officials are likely to meet again over agriculture before the Group of Seven summit in Germany in early July. Chancellor Helmut Kohl of Germany has voiced his desire to have Gatt matters out of the way by then, so it has become a meaningful deadline because each side believes the other wants to meet it.

Mr Andriessen met Mr James Baker, US secretary of state; Mrs Carla Hills, US trade representative, and Mr Edward Madigan, agriculture secretary. Observers saw it as "an important political signal" to give impetus to the Uruguay Round that Mr Baker had stayed in the talks from 11am until 5pm.

Both sides were trying to narrow the gap between concessions made possible by last week's agreement on Common Agriculture Policy reform, and wider requirements for a Gatt deal. Export subsidies came up in the talks. "Rebalancing", an EC proposal that would allow it to levy new tariffs on maize gluten, was mentioned and presumably dismissed by the Americans, who refuse to agree to new duties. The talks ended with both sides "encouraged" but uninterested in meeting again yesterday.

Third world 'faces neglect from industrial nations'

DEVELOPING countries face a "period of neglect" from the industrial north when trade and protectionism will be more important than aid or debt relief in shaping growth, Sir Peter Leslie, Commonwealth Development Corporation chairman, said yesterday, David Dodwell, World Trade Editor, reports.

Presenting the annual report of the CDC, the UK government-controlled organisation channelling aid into private-sector projects in developing countries, Sir Peter said funds were flowing less freely to the third world now than in the 1970s and 1980s.

Political and economic reform was the key to attracting investment, with good governance and an end to corruption important preconditions for aid.

He noted the "progressive disappearance" of British private investors in countries where the CDC operates, and warned the protectionist consequences of a failure of the Uruguay Round trade talks would have "serious repercussions" on many of the 68 countries where the CDC has operations.

New investment in 105 projects reached a record £157.2m in 1991, up from £145.9m in 1990, with less than 45 per cent provided from the UK government's aid programme.

The majority (about £87m) came from profits earned on past CDC investments, lifting to £1.33bn total CDC investments and third world commitments.

CDC income from investments rose to £86.9m, from £83.1m in 1990, leading to an operating surplus of £69.9m, up from £67.2m.

Extraordinary profits of £22.3m from the sale of long-standing investments in Thailand and Singapore lifted the surplus transferred to reserves to £28.4m, almost four times the 1990 transfer of £7.7m.

An extraordinary gain of £45m will be reported next year, following the sale in April of its shareholding in a Hong Kong container terminal.

£97m provision urged on bank in India scandal

By R.C.Murthy in Bombay

ANZ Grindlays, India's largest foreign-owned bank, has been asked to make a Rs5bn (£97m) provision for possible losses at its Bombay branch in India's securities market scandal.

The Reserve Bank of India, the central bank, which asked ANZ Grindlays to make the provision, also asked State Bank of India, the country's largest bank, to provide Rs7bn.

Directors of Australia's ANZ Group, parent of ANZ Grindlays, said earlier this week that they did not anticipate any losses from the Indian upheavals and that ANZ Grindlays had reconciled all its banker's receipts, a form of IOU at the heart of the scandal.

By issuing banker's receipts, banks pledged later delivery of securities for which they supposedly had already paid. They were used as collateral to fund purchases of shares in Bombay's stock market.

Two small banks which issued large amounts of receipts have been put into liquidation by the Reserve Bank: Bank of Karad and Metropolitan Co-operative Bank.

The extent of the involvement of ANZ Grindlays and State Bank emerged last week after a meeting of banks to reconcile their accounts, but the Reserve Bank attempted on Wednesday to force them to provide cover for the possible losses. Standard Chartered of the UK is believed to have exposure of Rs3.62bn to Bank of Karad and Rs5.3bn to Metropolitan Co-operative Bank. Some Indian officials believe that the £50m provision which it has made against possible losses is inadequate.

However, the exposure of ANZ Grindlays arose because nearly Rs5bn was credited to the account of Mr Harshad Mehta, a Bombay broker, against a cheque issued by National Housing Bank. The exposure of NHB to bankers' receipts is Rs13bn.

The Reserve Bank considers that ANZ Grindlays' action in crediting the proceeds of the cheque, drawn in favour of the bank, to an individual's account violated international banking laws.

ANZ Grindlays contests this, saying it is "established banking practice".

The Reserve Bank's decision to ask for full cover is seen as a move to end the stalemate and force ANZ Grindlays to settle the dispute with NHB, which is owned by the Reserve Bank, either bilaterally or in court.

Bankers in London say that despite the high amounts of exposure of some foreign banks, they may be able to recoup part of the lost money through legal action and that the Reserve Bank's move to put banks into liquidation would make it easier to track the money.

HK looks forward to monetary authority

By Simon Holberton in Hong Kong

HONG KONG yesterday moved closer to the creation of a monetary authority, or central bank, when the government said it would set up a discount window to act as a lender of last resort to the colony's banking system.

The discount window will be administered by the Office of the Exchange Fund, a government entity which manages the colony's foreign exchange reserves, sets interest rates and is responsible for maintaining the value of the Hong Kong dollar.

The move marks a further step in the development of the Exchange Fund into an active public sector institution monitoring the day-to-day monetary affairs of the colony. It further erodes the informal style of monetary management in the colony and the role of Hongkong and Shanghai bank which, in the past, has acted as the government's agent in times of financial turbulence.

Mr David Nendick, secretary for monetary affairs, said last night that the government had no intention of taking away Hongkong Bank's powers to issue bank notes or manage the bank clearing system in the colony.

Analysts expect the Exchange Fund to evolve into a Hong Kong version of the Monetary Authority of Singapore before Britain relinquishes sovereignty of the colony to China in 1997.

The "liquidity adjustment facility" (LAF), as the discount window is known, will be introduced on June 8 and will enable banks to make late adjustments to their liquidity positions. Overnight funds will normally be provided to banks through sale and repurchase agreements of their holdings of exchange fund bills and Hong Kong government bonds.

Growth in South Korea shows quarterly slowdown

SOUTH Korea's economic growth slowed during the first three months of this year after years of overheating that caused high inflation and large deficits, AP-DJ reports from Seoul.

According to the Bank of Korea, the central bank, gross national product during the period rose 7.5 per cent on a yearly basis, compared with 8.7 per cent a year earlier. The figure also contrasts with an economic growth rate of 8.4 per cent for the whole of 1991.

A central banker described the level of growth in the first quarter as "very desirable" because it approached South Korea's optimum economic growth rate of 7 per cent.

The slowdown was aided by the government's tight monetary policy, said the official.

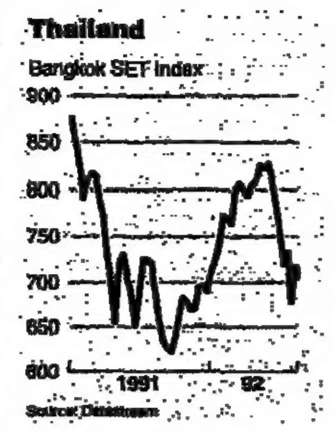
The central bank said in a separate report yesterday that the current account deficit in April was $280m (£158m), compared with $960m a year earlier and $870m a month earlier. This was mainly because of a sharp slowing in construction.

Thai political failures reach economy

Growth will be affected but investors will not be scared off, writes **Victor Mallet**

THE widely held notion of the last two decades that business could be conducted in Thailand without too much thought for the antics of the politicians and generals running the country appears comprehensively discredited by last week's violence.

Government officials, economists, bankers and foreign investors have hurriedly revised their economic forecasts downwards since Thai troops killed at least 48 pro-democracy demonstrators at the height of a political crisis which finally forced the resignation of Gen Suchinda Kraprayoon, the prime minister.



Financial institutions which had been predicting real gross domestic product growth close to last year's 8 per cent are now talking of a figure below 7 per cent, while at the bearish end of the scale one stockbroker has reduced his growth estimate to 5.3 per cent from 5.9 per cent.

Such predictions are of questionable value when the gap between the guesses of different forecasters is greater than the gap between the new and old guesses of each, but all are agreed that tourism, foreign investment and the fragile property market will be hard hit by the sudden reduction of confidence in Thailand. Speculative investments based on assumptions of high growth are particularly at risk. Interest rates are likely to rise – the interbank rate has already risen to 10.5 per cent from 6 per cent in the last 10 days – as foreign creditors restrict their exposure to Thailand, moderately increase risk premiums and force Thai companies to borrow more domestically.

An anticipated increase in corporate profits will be restrained by the crisis, with hotels, property and finance companies likely to suffer the most.

Factory output, exports and imports were only briefly disrupted by last week's chaos.

The most immediate blow is to tourism, which provided some $4bn (£2.2bn) in income for Thailand last year, one of the largest foreign exchange earners.

Mr Somboon Rahong, a political leader with close army links, was nominated by Thailand's dominant five-party coalition as prime minister to replace Mr Suchinda Kraprayoon, who resigned last week, AP reports from Bangkok. But opponents said he would be rejected by a public enraged by the army's suppression of pro-democracy protests. Although the coalition holds a slim majority in parliament, observers do not rule out defections from its ranks to a four-party opposition group.

The industry was recovering only hesitantly from the Gulf war in the first quarter, and although it is now the low season in Thailand anyway, economists are predicting an exceptionally poor full year.

Hotels have started cutting their rates and Thai Airways International has reported heavy cancellations of bookings on flights into Bangkok, especially from Japan.

Loss of tourism revenue will affect the current account, and a sharp drop in investment inflows will damage the balance of payments as a whole.

Many economists and bankers, however, dismiss fears of a balance of payments crisis, saying that the violence has simply added the necessary process of slowing down an overheated economy.

Exports have been buoyant so far this year and if an expected slowdown of imports compensates for the loss of tourism revenue, the current account deficit could drop to just over 5 per cent of gross domestic product this year from a dangerously high ratio of more than 8 per cent in 1991.

Thailand has not suddenly lost its fundamental economic attractions.

"People didn't come here because of good government," says Mr Mechai Viravaidya, a former minister.

"You ask investors. They came because of skilled workers and relatively cheap wages."

But the violence has reminded investors – albeit with unpleasant abruptness – that the failings of Thai politics were already affecting their operations.

Years of inadequate planning, a lack of infrastructure, a shortage of skilled workers, and corruption were all choking the development of industry, while environmental degradation reached the point where it started to put off potential tourists.

"People now realise they can't just leave politics alone and carry on doing business," says Professor Kasem Suwanagul, another former minister. "Business depends much on politics. You've got to have a good government."

Good government and foreign investment will be required if Thailand's development is not to be stunted in the next few years – Bangkok's $8bn of transport projects, for example, need both foreign money and government decisions – but it could take weeks or months before the country has either.

There are two main threats to stability. First, there was by yesterday no coherent government following Gen Suchinda's resignation, and second, the military are resisting demands that those who ordered the shootings of demonstrators be brought to justice. Either through negotiations between the various political parties or new elections, a prime minister will emerge, although not necessarily one with the authority to begin solving the country's problems.

But the issue of retribution over the killings could take longer to resolve. Gen Issarapong Noonpakdee, the army commander, was quoted as saying menacingly this week: "Don't force me into becoming a cornered dog."

Some Thai businessmen are hoping that the generals concerned, including Gen Suchinda, will quietly leave the country.

The alternatives of public trials or continued confrontation, would, in the words of one senior Thai executive at a multinational company, leave the whole economy under a shadow.

Jewish anger: An Israeli policewoman holding a young woman during protests over the death of a schoolgirl who was stabbed by a Palestinian in the town of Bat Yam, near Tel Aviv, last Sunday

Central bank attacks Shamir on policies

ISRAEL'S central bank, in its annual report, has strongly criticised the government of Mr Yitzhak Shamir, the prime minister, for not generating sustainable growth or jobs for waves of immigrants, Reuter reports from Jerusalem.

Mr Jacob Frenkel, governor of the Bank of Israel, said after delivering the report to Mr Shamir yesterday that priorities must change. Huge state incentives for home building discouraged the private sector from investing in areas of permanent employment. He called for slashing housing, defence and social spending – the three main costs in the budget besides debt servicing – and for reforms to liberalise the state-controlled economy.

"The main three candidates for major cuts are social payments, housing and defence. If we don't bite into one of these, or two of them, or all of them, we simply won't mobilise the amount of money the economy needs today," Mr Frenkel said.

Israel's population has swelled by about 10 per cent with the arrival of 400,000 Jews from the former Soviet Union since 1989. Gross domestic product rose 5.9 per cent in 1991, but about half was generated by a temporary housing boom.

Exports fell 2.3 per cent in 1991. Unemployment hit a 20-year high of 10.9 per cent, with the rate 39 per cent among newcomers.

Mr Frenkel forecast that GDP in 1992 would rise between 5 and 6 per cent, much less than previously expected. Investment, spurred last year by housing, would dip after soaring 25.8 per cent.

"The investment rate grew very significantly last year. To our regret it will be much more moderate in 1992: 10 per cent which is much lower than the economy needs," he said.

Ahead of the June 23 election, the opposition Labour party, led by Mr Yitzhak Rabin, has seized on rising unemployment in a weakening economy as a reason to oust the ruling Likud party. Mr Rabin has blamed the economic woes on Mr Shamir's building boom in the occupied territories which led the US to turn down a request for $10bn (£5.6bn) in loan guarantees for immigration.

Mandela sets out moderate path for ANC

By Philip Gawith in Johannesburg

MR Nelson Mandela, leader of the African National Congress, yesterday set a moderate tone for the deliberations of its policy conference when he said the organisation was challenged "to avoid unrealistic expectations and to define a sober set of priorities".

Opening the conference in Johannesburg, Mr Mandela said members of the ANC were increasingly aware of the resource constraints that would face a future government, and that there would therefore be "no quick fix to decades of apartheid destruction".

Mr Mandela said the Third World was littered with relics of liberation movements which had failed at the polls because of unfulfilled promises, lack of openness in policymaking and through adopting policies which their countries could not sustain. He said these were valuable lessons for the ANC to learn.

Mr Mandela also gave notice, however, that the constitutional negotiation process in South Africa could be entering a difficult phase. The ANC and its allies were contemplating mass civil protests, possibly including a general strike, to place pressure on the government.

He gave July as a deadline by which progress should be made in constitutional talks, and said the conference would consider activities "to break the intransigence of the regime".

The four-day policy conference, being attended by 700 delegates, is the first such ANC conference since the drafting of the Freedom Charter at Kliptown in 1955. The charter, a romantic and aspirational document, has since taken on a totemic importance within ANC ranks. Ms Cheryl Carolus, a senior ANC official, said the task of the conference was "to take that magnificent vision of ours, enshrined in the Freedom Charter, and make it tangible".

Mr Mandela also took time to reply to the provisional findings of the Goldstone Commission, a judicial inquiry into the causes of violence in the country. Judge Goldstone yesterday delivered a report in which he said the main cause of violence was the political struggle between the ANC and the mainly Zulu Inkatha organisation.

Mr Mandela said the findings were superficial in two respects: attributing blame to the ANC and Inkatha was to ignore the role of the government and security forces in fostering this rivalry; and suggesting that the ANC and Inkatha were in the best position to stop the violence was to "ignore the reality that it is the National party regime who wields state power".

An embarrassment of riches for President Suharto

The opposition, set to lose the coming election, is making accusations of nepotism, reports **William Keeling**

INDONESIA'S President Suharto will have been watching the parliamentary election campaign, now in its third week, with more than usual interest. Leaders of opposition parties have highlighted an issue likely to embarrass the President: alleged nepotism within government, in particular that the business interests of Mr Suharto's children have enjoyed political favours.

The president's ruling Golkar party is still expected to win the June 9 election with a large majority, supported by a 20-year record of economic growth averaging more than 6 per cent a year. Nevertheless, the public airing of such divisive issues is a significant change in a country which prides itself on consensus.

There have been growing allegations - attributed by government supporters to jealousy – that companies controlled by members of the Suharto family have received favours in the form of monopoly rights.

The most controversial has been a monopoly in the buying and selling of cloves granted in January 1990 to BPPC, an unquoted company headed by Mr Hutomo Mandala Putra, Mr Suharto's youngest son.

Cloves are the key ingredient in Indonesia's kretek cigarettes and, diplomats say, BPPC shareholders include many traders who had built up stocks in the mid-1980s. BPPC doubled the price paid to farmers and told cigarette companies to pay almost twice as much again, giving BPPC a projected turnover of more than Rp1,000bn ($500m) last year.

In February, however, Mr Putra told parliament that BPPC would be unable to service Rp759bn of soft loans given to it by the central bank. He suggested a third of clove trees should be cut down to counter oversupply.

BPPC's financial crisis has caused consternation and surprise among politicians and Indonesia's donor community. Diplomats say many clove farmers received only half-payment for their crop last year, and BPPC's income was guaranteed after the government linked the selling of cigarettes to proof of the purchase of cloves. While BPPC may not have operated at a profit, diplomats say it does still have financial reserves which, according to one western ambassador, are held in Singapore bank accounts.

Domestic critics of BPPC have not been exclusively opposition politicians. Mr Kharis Suhud, speaker of the parliament, has called for the monopoly to be reviewed. Dr Radius Prawiro, senior economics minister, says that BPPC must "repay the debts of the bank".

"The government cannot take over (BPPC), because then who will repay the debt? They (BPPC) are responsible," he says.

Mr Putra is not unique among Mr Suharto's children to head a company with monopoly rights or to have been the target of criticism. A subsidiary of the Bimantara Group, chaired by Mr Bambang Trihatmodjo – Mr Suharto's second son – enjoys exclusive rights to buy oranges in Kalimantan, formerly Borneo.

A monopoly was granted last October in the collection of television licence fees to Mekatama Raya, in which Mr Sigit Hardjojudanto, Mr Suharto's eldest son, is reported to be a shareholder. Mekatama lost the contract, however, after fees were doubled and the company ceased door-to-door collection and told people to pay at their local post office.

The President's ruling Golkar party is expected to win the June 9 general election with a substantial majority

Defenders of the children say the monopolies issue has been blown out of proportion. They point to the wide-ranging and profitable companies they have built and argue that monopolies play only a minor role in their success. In particular, these supporters say the children have helped reduce the hold of the ethnic Chinese community over the economy.

Ethnic Chinese account for about 4m of Indonesia's total 183m population but control many of the largest banks and conglomerates.

"The president and his wife are proud of their children's contribution to the economy," explained one senior diplomat.

Bimantara, established by Mr Trihatmodjo in 1982, had estimated revenue in 1991 of Rp2,200bn and about 11,000 employees. Its business interests include a contract to transport Indonesia's liquefied natural gas (LNG) to South Korea and construction of a major gas pipeline.

Projects supported by Bimantara include negotiations for a $1.95bn power station in East Java, a $1.6bn olefin plant in West Java, and a project estimated at $100m to recycle toxic waste.

The Humpuss Group, Mr Putra's main company, was established in 1984 and had estimated revenue in 1991 of Rp2,000bn.

Its activities include the shipping of LNG to Taiwan, timber processing and air transport. Sempati Air, in which Humpuss holds a stake, is the first private airline to break the monopoly of state-owned Merpati on domestic jet-powered flights.

Mrs Siti Hardijanti Rukmana, eldest daughter of Mr Suharto, has also been active in business with companies acting as local partners in major telecommunication and road construction contracts. In 1991 she helped set up TPI, a private educational television channel, which now runs in competition with state television and RCTI, a channel run by the Bimantara group.

There are signs that the children may try to defuse criticism by taking portions of their companies public. Bimantara is a shareholder in Plaza Indonesia Realty, an up-market retail and hotel company which this month floated a minority shareholding.

Shares have been valued at a price/earnings ratio of 23, compared to an average of about 14 for listed companies. Brokers say state pension funds were the principal buyers.

Defiant Bond loses licence to indulge in overkill

By Kevin Brown in Perth

MR Alan Bond, the fallen idol of corporate Australia, managed a wry smile to his family before being taken off to the Perth police cells yesterday, convicted of corporate dishonesty and facing up to five years in prison.

Mr Bond's apparent resilience did little to comfort his former wife Eileen and children John and Craig, who were clearly upset by a verdict they had feared but not expected.

But it showed that, in Mr Bond's mind at least, the Alan Bond story may not yet be over, in spite of the double blow of bankruptcy and a criminal conviction within two months.

Ironically, it was that kind of determination in the face of adversity which made Mr Bond the favourite son and most prominent citizen of the Western Australian city he made his corporate base for more than 30 years.

Starting with a one-man painting company, Mr Bond built an international media, brewing and property business which made him the best known of Australia's entrepreneurs. At his peak, he won the 1983 America's Cup, was rich enough to shower presents worth millions of dollars a year on friends and family, and was lauded as "a great Australian" by Mr Bob Hawke, the former prime minister.

Less than two years ago, he was still chairman of Bond Corporation Holdings, a quoted flagship with assets of about A$10bn (£4.1bn), and Dallhold Investments, a private company with extensive property holdings.

Now Bond Corp is being restructured by its creditors. Dallhold is in receivership, and Mr Bond is bankrupt, with debts and contingent liabilities of more than A$700m.

The trigger for his downfall was an ill-advised attack on Lonrho, the British company managed by Mr Tiny Rowland, which convinced many of Bond Corp's bankers and creditors that the group was technically deficient.

But the underlying cause was Mr Bond's failure to recognise that the 1987 stock market crash had ended the period in which entrepreneurs could bank on continually rising asset values to finance their borrowings.

Mr Bond's influence on corporate Australia, and his confidence after the crash, were exemplified by the rescue of Mr Laurie Connell's Rothwells merchant bank, which provided the background for the events which led to the trial.

Rothwells suffered a run on its deposits in the days after the crash, and would have been unable to continue in business without the rescue, in which Mr Connell contributed A$70m, shareholders A$150m, and the state government a further A$150m by way of a guarantee against bank loans.

Mr Connell told the court that the rescue could not have succeeded without the participation of Bond Corp, which helped to recruit support from prominent companies such as Mr John Elliott's Elders IXL (now Foster's Brewing), Mr Kerry Packer's Consolidated Press Holdings, and Mr Brian Yuill's Spedley group.

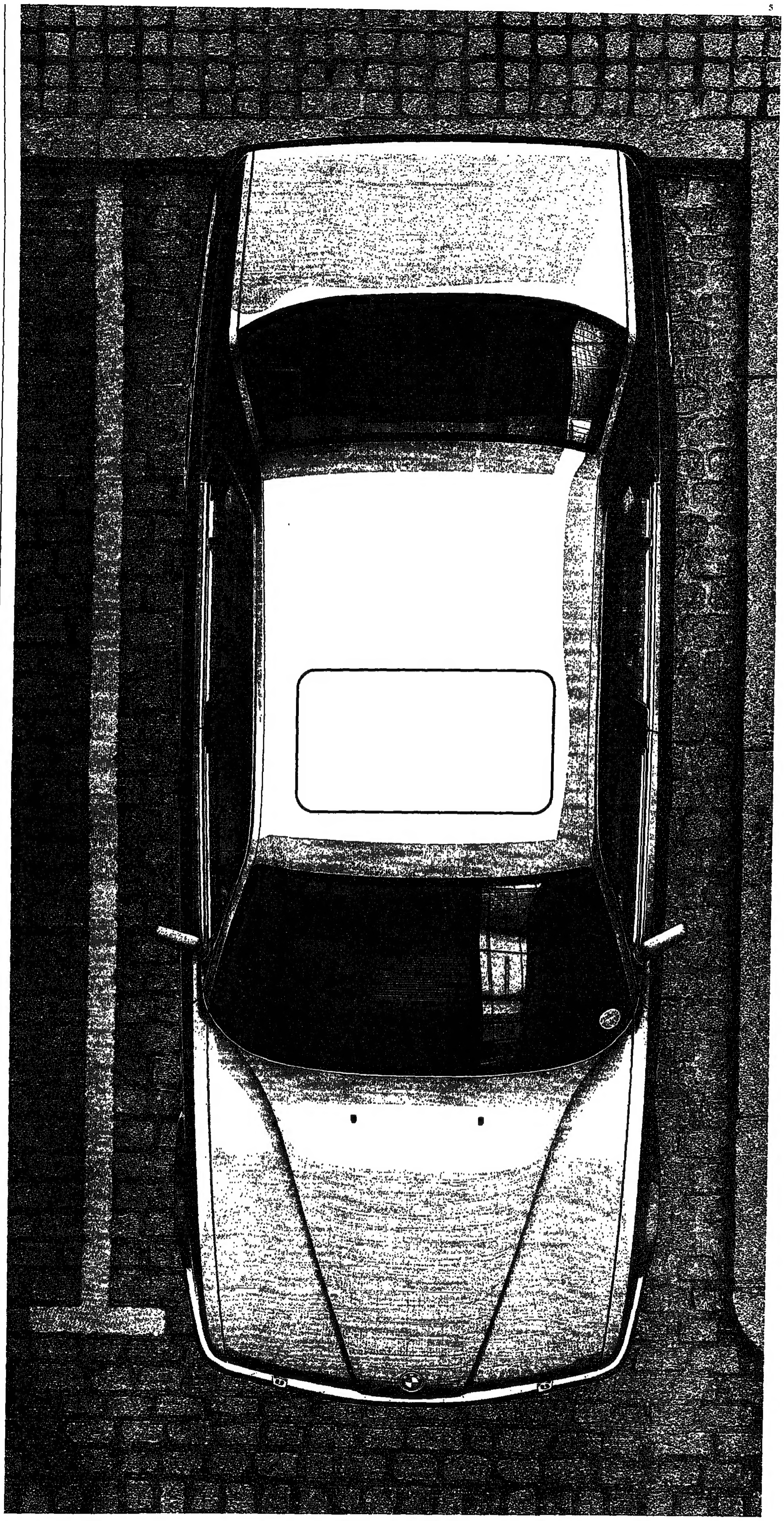
Mr Bond said no one expected the rescue to fail. But Rothwells collapsed only a year later, setting off a series of inquiries into the way the rescue was handled, and the close links between politicians and businessmen in Western Australia.

It was those inquiries which brought Mr Bond to court yesterday, charged with dishonestly concealing the existence of a A$16m success fee from a businessman recruited to underwrite Rothwells' share issue.

Mr Bond was the first important business figure to face trial over the Rothwells rescue, but he will not be the last. Another 19 people have been charged with more than 250 offences, including Mr Connell, who faces 78 charges.

In addition, a royal commission into Western Australian business links with politicians is expected to report in October, and further inquiries are being carried out by the Australian Securities Commission, the federal corporate watchdog.

Mr Bond will discover today whether he is to serve a prison sentence or pay a fine of up to A$20,000, or both. Meanwhile, his trustee in bankruptcy is still trying to trace what happened to millions of dollars worth of personal assets in Australia, the UK and elsewhere.



THE FINE LINE BETWEEN LUXURY AND EXTRAVAGANCE.

Inside knowledge can be so valuable.

The biggest car fleet operator in Europe is a company called PHH AllStar. They're responsible for the care and maintenance of some 115,000 cars: a figure that includes 900 Jaguars, 1,800 Mercedes and 4,200 BMWs.

PHH compile regular surveys of their cars' costs: they're essential to the success of their business.

The surveys are of course, totally objective and independent of any car manufacturer. But the results are quite unashamedly biased in favour of the BMW 7 Series.

Running costs compared to the BMW 730i.	
Mercedes S-Class	+31%
Jaguar XJ6 2.9 Litres	+77%
Jaguar XJ6/XJS 3.6 Litres	+93%

Figures based upon service, maintenance and repair costs of vehicles which have covered 24 000 miles. All cars bought new between 1988 and 1991. Source: PHH AllStar December 1991.

Indeed, armed with this knowledge, one wonders what self-respecting Chief Executive could possibly be seen driving anything but the BMW 730i. (Especially by another Chief Executive.)

There's that nagging thought: if one's company car fails to demonstrate optimum efficiency, performance and drive, might the same be assumed of one's company?

To: BMW Information Service, Winterhill, Milton Keynes MK6 1HQ. Telephone 0908 249189. Please send me further information on the BMW 7 Series, including details on the PHH running cost data and the name of my local dealer.

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House passes energy bill with oil-saving aim

By Jurek Martin, US Editor, in Washington

THE House of Representatives has passed an energy bill which, according to its sponsors, could cut US oil imports by nearly one-third by the year 2010.

The bill, voted through easily on Wednesday, has been described as the most comprehensive piece of energy legislation for more than a decade. It covers most aspects of domestic energy use and regulation and includes many compromises between environmental and industry lobbying groups.

The highlights include a prohibition on further offshore oil drilling, excepting the Gulf of Mexico and Alaska, for the next decade. The administration had objected to this restriction, but not to the point of threatening a veto. On the other hand, the oil industry was relieved that it is not being forced to underwrite a proposal later stripped out of the bill for a 1bn barrels strategic petroleum reserve.

The bill is not designed to address the concerns likely to be raised at next week's Earth Summit in Rio de Janeiro.

The legislation contains no provision to force the car industry to improve fuel efficiency standards, but it does encourage greater investment in vehicles powered by other sources of energy. It also tries to stimulate use of public transport by placing a limit of $160 a month on the value of tax-free car parking privileges offered to employees.

It promotes incentives and tax credits for further development of solar, wind and geothermal energy supplies and makes slightly easier current regulations on building nuclear power plants and natural gas pipelines. Independent non-utility companies would also be encouraged to enter the power business by requiring existing utilities to make their transmission facilities available to new entrants.

Congressman Philip Sharp, a Democratic from Indiana, estimated that oil imports could be cut by 3m barrels a day by 2010, with the equivalent of a further 2m b/d savings through increased use of other non-fossil sources of energy. The US now consumes about 17m b/d, roughly half of which is imported.

HELLO, SAILOR: Midshipman Alexis Petrosky has a close encounter with her commander-in-chief as President George Bush presents diplomas to new officers at the US naval academy's passing-out parade

Chicago brokerage charged

By Barbara Durr in Chicago

THE US Securities and Exchange Commission has charged Stotler & Co, once a leading Chicago futures brokerage, and its top four executive officers with defrauding investors and deceiving the commission about the real state of the firm's financial condition. The agency is seeking to recover at least $15m.

The charge is that Mr Thomas Egan, president and chief operating officer of Stotler, and three other executives engaged in various schemes to defraud investors and cover their wrongdoing with "unlawful, contrived and bogus transactions."

The suit alleges, for example, that $2.2m of the proceeds from Stotler's initial public offering in 1988 were diverted to certain partners.

Stotler was a futures commission merchant and a commodities pool operator, as well as a broker-dealer in US government securities.

No criminal penalties are sought but the SEC, beyond seeking that partners give up gains alleged to have been illicit, requested that Mr Egan never again be allowed to act as a director or officer of a public company.

The scandal at Stotler, which went broke nearly two years ago, enveloped one of the futures industry's biggest names, Mr Karsten "Cash" Mahlmann. He was chairman of Stotler, and was forced to resign from the chairmanship of the Chicago Board of Trade, the world's largest futures exchange, two days after Stotler declared bankruptcy in August 1990.

Mr Mahlmann was not charged with any wrongdoing in the SEC complaint, but was named as one of 17 partners from whom the agency will seek money that should have gone – it is alleged – to the investors but was distributed to partners.

Hurd boosts Mexican links

By Damian Fraser in Mexico City

MR Douglas Hurd, Britain's foreign secretary, has concluded a three-day trip to Mexico promising to make "a deliberate and vigorous effort" to restore the UK's "historical relationship" with Latin America.

His visit – days before the visit of Mr John Major, the British prime minister, to Brazil and Colombia – is intended to boost trade between the UK and the region, and prepare the way for President Carlos Salinas's state visit to the UK in July.

Mr Hurd pressed the Mexican authorities on the North American Free Trade Agreement, urging that this not erect barriers to the outside world.

"It is rather important that British banks should not be discriminated against in any serious way," he said. Mr Hurd understood that Mexican concessions offered to the US and Canada would be made to other countries "in the reasonable future".

The foreign secretary heaped praise on the economic reforms under way in Latin America, and berated those in the UK who "are still slow to understand what is happening." He described Mexico's reforms "as a leading example of what can be done by following sensible policies."

Mr Hurd was less flattering about Mexico's path to democracy. "President Salinas is modernising Mexican democratic arrangements. I support this process: I hope it will go further," he said.

The foreign secretary visited Guadalajara, scene of the gas explosion that killed more than 200 people last month, and announced a £100,000 contribution to the disaster relief fund.

AP reports from Washington: Mexico City is to have a $100m loan to help tackle its pollution problem, the Inter-American Development Bank announced.

FT WRITERS ON PREPARATIONS FOR THE EARTH SUMMIT NEXT WEEK IN RIO DE JANEIRO

Brazil attacks lack of backing for Amazon

By Christina Lamb in Rio de Janeiro

A PROJECT to protect the Brazilian Amazon, that was originally planned as the centrepiece of the Earth Summit, may prove an embarrassment. Brazil claims the industrialised world is failing to take the project seriously, and that too little money is being committed.

The $1.5bn Rainforest Pilot Project was approved by the Group of Seven leading industrial nations in 1990 and declared by the World Bank to be an "example of co-operation between developed and developing countries on global environmental issues."

Yet, two years on, only $53.5m has been raised, and this only after Brazilian President Fernando Collor had written an angry letter to G7 heads of government. The US, which has been one of the leading critics of Amazonian deforestation, gave only $5m.

"The first world is being very hypocritical – it annoys me tremendously," complains Mr José Goldemberg, Brazil's Environment Minister. "We get a lot of advice and rhetoric but very little money".

He also complains that multilateral institutions are forcing Brazil to support projects in the Amazon of which he is "very sceptical," such as extractive reserves – areas reserved for activities like the gathering of Brazil nuts and rubber-tapping which do not harm the forest but which many analysts believe are condemning people to poverty. "The maintenance of extractive reserves is very artificial in economic terms – we're having to make an enormous effort to subsidise these people".

A senior World Bank official said that he was not aware of any complaints by Brazil on this issue. But he admitted that international response to the Amazonian Pilot Programme had been "disappointing" and that the project would be "smaller and slower than planned".

Of the money pledged so far, $19.5m is from Germany and $15m from the EC. Canada has contributed less than $1m. The G7 has promised a further $200m over the next three years, of which 10 per cent must be provided by Brazil.

However, the official said "most of this is bilateral aid already committed by G7 countries. There is almost no additionality, if at all – it's just consolidating old aid in a new account".

Treasure trove carries warning

By Clive Cookson, Science Editor

TECHNOLOGY transfer has been a frequent incantation in the endless preparatory meetings for the Earth Summit in Rio.

As Mr Mostafa Tolba, director of the UN Environment Programme, told a conference at Chatham House in London: "If developing countries follow the short-cuts of using obsolete, economically inefficient technologies based on resource and energy gluttony and catastrophic pollution and waste generation, then our destruction is assured." But the phrase "technology transfer" and its practical implications are understood quite differently on opposite sides of the north-south divide.

"It is a horribly confused issue," says Mr Chris Rose, programmes director of the environmental group Greenpeace. "Some people are talking about money, some are talking about patents and some are talking about equipment." Politicians in developing countries demand access to what they see as a treasure trove of advanced technology in industrialised countries, which would allow them to combine fast growth with environmental improvement.

In the industrialised world, governments, companies and environmentalists agree that scientific knowledge and technical skills need to be transferred on a large scale to developing countries, if practical progress is to be made on any of the specific global problems from climate change to the extinction of wildlife. But they say the Third World is missing the point when it pays so much attention to patented western technology.

As a United Nations preparatory committee for the Earth Summit pointed out, "a large body of useful technological knowledge lies in the public domain and is unaffected by the international patent system. Also, most proprietary technology is available through commercial channels."

The obstacles for developing countries are first to find out about appropriate technologies and then, far more difficult, to find funds to introduce them. Any practical steps taken at the Rio conference are likely to focus on the first stage: improving access to environmental technology. UN staff estimate the international community will need to contribute $150m-$200m a year to run an expanded worldwide network of technology information exchanges.

An example is the International Cleaner Production Information Clearinghouse (ICPIC) which UNEP is using to transfer information about CFC-free manufacturing, as part of the Montreal Protocol, the international treaty to phase out ozone-destroying chemicals.

Mr Tolba sees the Protocol as a model for environmental technology transfer. The original 1987 Montreal accord was amended in 1990 to set up an interim fund of $160m – contributed by the industrialised world – which will be used to help developing countries eliminate consumption of CFCs.

Technology transfer to combat global warming through more efficient use of energy will be more expensive. Mr Klaus Topfer, the German environment minister, pointed out after a recent visit to China that the average Chinese power station burns 440 grams of coal to generate 1 kilowatt-hour of electricity, while a modern German power station consumes 300g of coal per kwh today – and will burn 220g - 250g in the year 2000.

Mr Toufiq Siddiqi, an environmental policy analyst at the East-West Centre in Hawaii, calculates that an investment of $6bn in improving the energy efficiency of Chinese power stations would save 10m tonnes of coal a year and reduce carbon emissions which contribute to global warming. An even larger contribution could be made by adapting China's 400,000 small industrial boilers to burn coal more efficiently; their efficiency today averages 30 per cent less than comparable boilers in industrialised countries. This programme too would cost billions of dollars.

The example shows that identifying the technology is the easy part of technology transfer. The difficulty is finding funds to transfer it. Across the whole range of environmental challenges discussed at Rio – reducing pollution of the air, water and ground, together with issues such preserving biological diversity – hundreds of billions of dollars will be needed. There appears little prospect that such vast sums will be available.

Tolba: Fearing short cuts to destruction

Rights to the planet's many species in dispute

By Christina Lamb

IF a cure for cancer is found in the bark of a tree grown only in the northern Amazon, is that tree a Brazilian asset? If so, how should it be valued? Should countries with the technology to turn it into a pharmaceutical product be given access to it and if so should they pay royalties to Brazil? Can a tree be patented?

These are questions being raised in negotiations on biological diversity – one of the main issues at the Earth Summit and very complex.

Biodiversity refers to all the species of animals, plants, genetic material and ecosystems in the world. These are essential for the world's food and fibre needs, and for many medicines, but knowledge of the subject is far from complete.

To date, 1.4m species have been identified but biologists believe at least 10m – maybe as many as 100m – exist.

Many species are being wiped out at the rate of as many as 75 per day, along with the acre of tropical forest that vanishes every second because of human activities such as mining, logging, agriculture and polluting industries.

The belief that species as yet unknown are being lost, and which are potentially valuable for economic and scientific development, has made biodiversity an increasingly important issue.

A biodiversity convention was agreed last weekend in Nairobi, at the final preparatory meeting for the summit, with the aim of maximising and spreading benefits of biodiversity and improving its conservation.

There is a clear north-south split on this issue, as most of the planet's biodiversity is to be found in developing countries while the technology to exploit it lies with the industrialised ones. Countries such as the US want better access to genetic resources of the third world, while countries such as Brazil and Malaysia want to ensure a share in its utilisation, thus running into thorny areas such as intellectual property rights and transfer of technology and resources.

"To call it a convention on biodiversity is misleading," says Mr Marcos Azambuja, Brazil's chief negotiator. "The real problem is with biotechnology". Brazil, and other developing countries, complain that multinational pharmaceutical groups use substances such as snake venoms and tree barks found in Brazil without having to pay royalties. The companies can then sell the drugs on the Brazilian market.

Differences over who should bear the cost of protecting the world's resources, and how profits for exploitation should be shared, led to an impasse in the Nairobi negotiations.

The final document was watered down in the view of non-governmental organisations, and lacked specific commitments on both sides.

While developing countries believe that the issue of biotechnology transfer has not been clarified as much as they would hope, some countries – such as US, France and Japan - are threatening not to sign the convention because they would like tighter commitments on conservation from developing countries and more protection for their own pharmaceutical companies.

Included in the convention is the need for countries to make inventories of their ecosystems and for the interim use of the Global Environment Facility, administered by the World Bank, to fund the programme. In the convention's current form, the door is left open for the patenting of genetic material by developing countries.

Suppose the Americans hold an election and nobody wins

Jurek Martin burrows into the US constitution to figure out what would happen if no-one gets an overall majority in the presidential election come November

IT IS STILL only the Washington parlour game of the month and it is still played more with amused detachment than with real intent. But, since life and art are now patently indivisible, as Vice-President Dan Quayle was merely the last to demonstrate last week, the current fascination with what might happen if no-one wins an outright victory in the presidential election in November might just return to haunt the country.

The starting point, at which $200 is collected, is the constitutional technicality that the presidency is won not by popular assent but through an overall majority of the 538 members of the Electoral College. This is an anonymous group chosen according to state size, whose only task has been to ratify in December the previous month's election. All but Maine and Nebraska instruct their electors to award all the state's college votes to whichever candidate carries the state, irrespective of by what margin.

If no candidate gets the minimum 270 college votes needed for outright victory, the 12th amendment to the constitution applies, under which the newly elected House of Representatives convenes in January to choose the next president from among the top three finishers in the electoral college; this last happened in 1824. Simultaneously the new Senate gets together to choose the next vice-president from the top two running-mates.

The catch is that, although the 100 Senators (two from each state) cast individual votes, the House must decide on a one-vote-per-state basis. This puts Vermont, which has but one congressman and a socialist to boot, on a par with California, which has 52. According to one lovely calculation by Lloyd Cutler, lawyer extraordinaire and White House counsel under President Jimmy Carter, this could mean that the 26 least populous states, with only 16 per cent of the national population, could decide who will be president.

On balance this system would currently appear to favour the Democrats, who have a majority in 31 of the House delegations, compared to only 10 for the Republicans, with the rest evenly divided and Mr Bernie Sanders representing Vermont, assuming his re-election. But there could be a wholesale shake-up in November, even though the disappearance of both Democratic majorities may be unlikely.

However, nobody knows under what rules House state caucuses would determine who gets the single vote (simple majority, absolute majority, plurality?) or whether indeed common rules would apply to all the states. Even if they did, that might not help a state like Maine, which currently has one Democratic congressman and one Republican, neither of whom might want to give way.

Mr Norman Ornstein, of the American Enterprise Institute, has pointed up the extreme difficulty that individual congressmen could face. "What if," he wrote in The New York Times, "your district went for Perot, your state went for Bush and you are a Democrat?" The prospect for countless state impasses clearly exists.

In any event, somebody has to be sworn in as president, acting or permanent, on Inauguration Day, changed by the 20th amendment from March 4 to January 20. If this were not to happen, then the Senate's choice as vice-president "shall act as president" until the House makes up its mind. If both Houses are deadlocked, then the Speaker of the House, by law, takes over in the interim, unless he declines, in which case the secretary of state, if there is one, steps in.

These are the rules of the game, more or less. How it plays out depends on the imponderables. Much would obviously rest on the order in which the three candidates finish, by which time the third-placed running-mate would in any case be out of contention. Certainly if Mr Clinton finishes a poor third it would be hard for a Democratic House to vote him. But it might prefer to hand the presidency to the Independent Perot than to the Republican Bush, regardless of who held the lead.

One of Mr Ornstein's scenarios posits a House deadlock, has Senator Bill Bradley of New Jersey as Mr Clinton's running-mate and assumes Mr Clinton finishes second, not far behind Mr Bush. He cannot imagine the Senate, still in Democratic hands and with public opinion behind it, ever preferring Vice-President Quayle to the admirable Mr Bradley, who gets sworn in as president pro tem – and then, when the House gives up the ghost, gets the job.

Alternatively, under the divide-and-rule principle, the House might then elect Mr Bush, producing the remarkable result of a Republican president and a Democratic vice-president.

A USA Today variation has Mr Clinton ahead in the electoral college and Mr Perot a poor third. Mr Perot then endorses Mr Bush, but not Mr Quayle, inducing the House to vote in Mr Bush and the Senate to go with Mr Clinton's running-mate. Alternatively, if Mr Clinton finishes third and his running-mate is thus out of it, the Senate, still baulking at Mr Quayle, would choose Mr Perot's partner.

In all these variations, the fact that Mr Perot lacks a main-stream party does not help, though it certainly increases his appeal at present with the public at large. But underlying the whole game is the knowledge that nobody knows now who is going to win in November and whether that victory will be enough. Such are the delights of a three-horse race.

Perot seeks clutch of expert advisers

By Jurek Martin in Washington

POLITICAL experts known for their work in the Carter and Reagan presidential campaigns have been asked to help plan Mr Ross Perot's drive for the US presidency.

Among them are Mr Hamilton Jordan, Mr Carter's campaign manager in 1976 and subsequently White House chief of staff; Mr Ed Rollins, instrumental in Mr Ronald Reagan's victory in 1984; and Mr John Sears, who ran Mr Reagan's narrowly unsuccessful bid for the Republican nomination in 1976 and was his campaign manager again before being replaced early in 1980.

Mr James Squires, Mr Perot's spokesman, confirmed that approaches had been made but denied that Mr Jordan and Mr Rollins were being offered joint leadership of the Perot effort. However he said both "could fit nicely into this campaign in a number of ways."

Mr Rollins, now a political consultant whose wife works in the Bush White House, said yesterday he thought Mr Perot had a good chance of being elected president, whereas two months earlier he had dismissed such a prospect.

Mr Jordan has been quoted as being an admirer of Mr Perot, though his former boss, Mr Carter, has come out strongly for Governor Bill Clinton. Mr Jordan, after a spell running the Association of Tennis Professionals, is now president of Whittle Communications.

There may be some irony in Mr Perot, the ultimate outsider, considering recruiting quintessential Washington insiders, but this was probably bound to happen as the campaign gathered momentum.

CANARY WHARF: WHAT NOW FOR THE DOCKLANDS

Political line raises hopes

By David Owen

THE FINANCIAL collapse of Canary Wharf does not necessarily spell the end of the Jubilee Line underground extension or the government's plan to move civil servants to a Docklands site.

In spite of the government's insistence that there was no prospect of a publicly funded rescue to bail out the development, the message emerging yesterday from Westminster's corridors was more hopeful.

The calculation behind it was informed both by hard-nosed pragmatism and an assessment of the political fall-out that any decision will bring in its wake.

On the Jubilee Line, the government has repeatedly emphasised that the extension would not be built without the £400m private-sector contribution that Olympia & York had promised to put up.

Although that remains the position, the hurdle is not as formidable as it at first appears. Only £100m of the money is due while the extension is being built. The balance does not even begin being paid until after completion, with instalments stretching more than two decades into the future. On that basis, the effective present value of the £300m shrinks towards insignificance.

If the failure to lure private money leads to the extension's being scrapped, the government may face charges of cutting off its nose to spite its face.

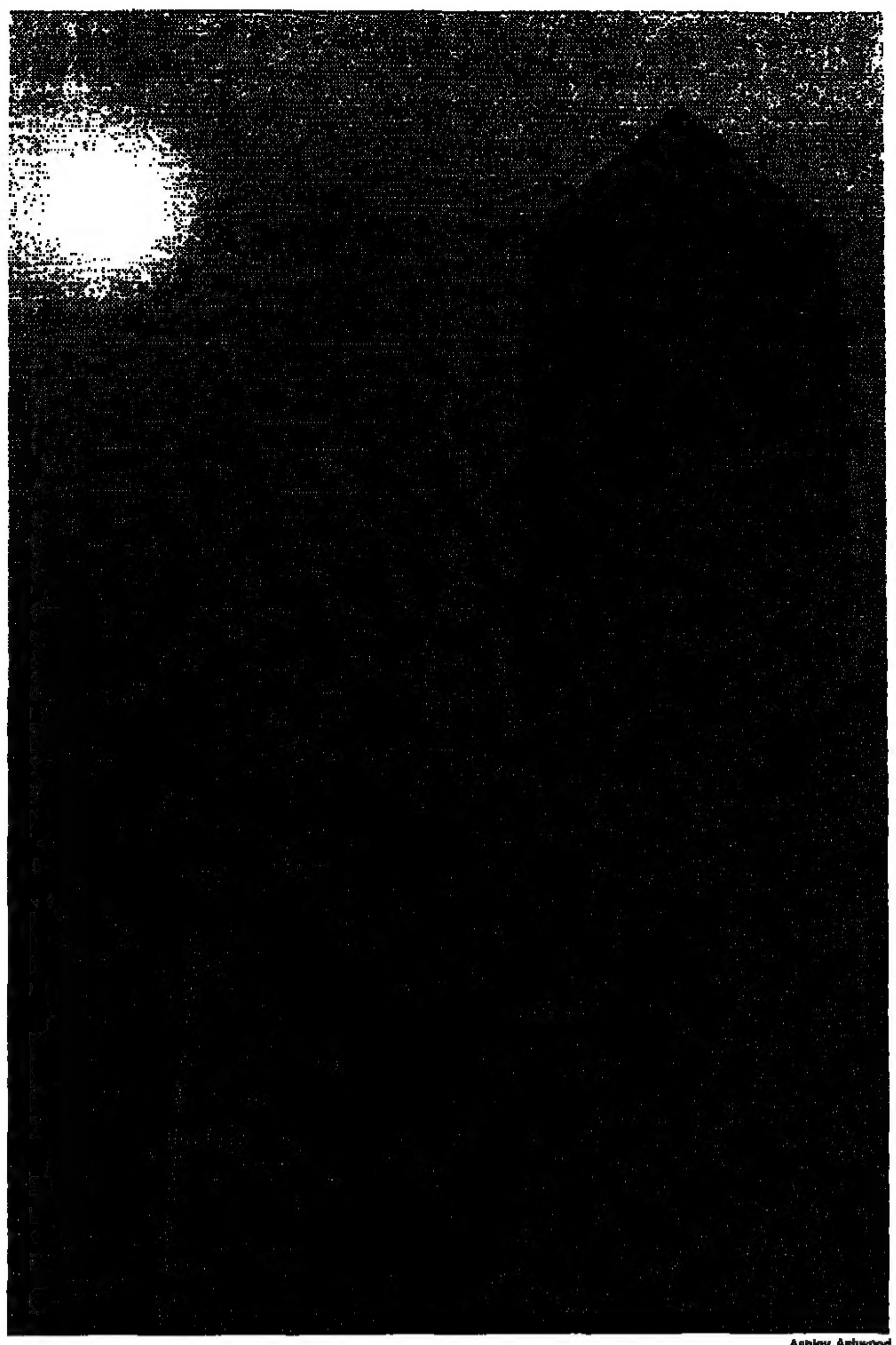
In terms of political capital, however, the government has a huge amount staked in Docklands' success. It might receive as much flak for deciding not to proceed with the extension – hence placing a question mark over its future urban regeneration policies – as for pumping in a relatively small amount of additional money. A cross-party early day motion calling for a parliamentary inquiry to reassess future policy in this area reinforces that impression.

Such considerations will strengthen the hand of those within the cabinet, such as Mr Michael Heseltine, trade and industry secretary, who may be expected to lead calls, against fierce Treasury opposition, for an active role in preserving confidence.

Mr Michael Howard, environment secretary, contrived yesterday to reinforce the tough government line towards new public money while expressing confidence the extension would be built. In terms of relocating civil servants, the government faces a fait accompli in that the Marsham Street premises housing thousands of Environment Department and Department of Transport officials are to be vacated.

As Mr Howard admits, there are strong arguments for moving to Docklands. The department had been advised that "the best value for money currently available" was in the area, he said yesterday.

The prospect of Department of Transport employees' being moved to the development does appear somewhat diminished, however, after the instigation of an internal review into how many Marsham Street staff should remain in London. Some 1,300 transport employees are to be relocated.



Ashley Ashwood

Into the darkness: the shooting star of private enterprise that exploded into insolvency

Property resists tremor

By Vanessa Houlder, Property Correspondent

CANARY WHARF'S insolvency has severely dented the already battered image of London's property industry. The banks' decision not to support the project is a striking vote of no confidence in the property market's future over the next ten years.

Nonetheless, the consequences for the London property market may be rather less dramatic than feared. Although the market's reputation among banks and investors has been severely tarnished by Olympia & York's problems, these have been apparent for many months.

As a result, shares in property company which were knocked sharply when the scale of O&Y's problems first became known in the spring, were little moved yesterday.

Canary Wharf's problems could even have a beneficial effect on the market in the rest of London. If Canary Wharf is no longer seen as a rival to the West End and the City, the position of Central London landlords may improve.

"The impact could be quite positive in six to twelve months time if the Jubilee Line is not built and tenants start moving back to the City," says Mr Graham Stanley of County NatWest, the brokers.

Canary Wharf's move into administration has large implications for tenants who have not yet moved into the project. Only 11 per cent of the buildings are occupied, although leases have been signed on 57 per cent of the space.

The problem is that the costs of the incentives offered to tenants such as fitting out buildings and taking on the space left vacant in central London could exceed the economic benefit from the rents paid on the office space. These obligations to the tenants are not binding on the administrators, unlike the company. The result may be that a number of Canary Wharf's leases are cancelled.

In particular, it is possible that large tenants such as Texaco and American Express, which are due to move to Canary Wharf, will not move from Central London.

American Express's building at Canary Wharf is not yet finished. Moreover, the cost of the office space rented by American Express in Canary Wharf is exceeded by the costs of the old space it occupies in Central London – in particular the 240,000 sq ft of space let by its Shearson Lehman subsidiary in Broadgate in the City. The administrators could decide to seek to cancel American Express's lease at Canary Wharf to limit the costs of paying rent of about £40 per sq ft on the take-back space.

American Express declines to comment, except to say that it is monitoring events carefully.

The costs of rents and rates on Canary Wharf tenants' old space is likely to exceed £20m a year. O&Y took responsibility for about 500,000 sq ft of tenants second-hand space at a time when it expected to be able to relet the property.

Apart from American Express, the companies that had most space taken back by O&Y are thought to be KPMG Peat Marwick, for which O&Y took back 88,000 sq ft in Queen Victoria Street, Fleet Street and Stamford Street and Manufacturers Hanover Trust, for which O&Y also took back 40,000 sq ft at 7 Princes Street.

If some of these tenants returned to Central London and others were deterred from taking space in the Docklands, it would have a beneficial effect on the core London office market. But the impact should not be overstated. The Docklands accounts for just 4.1m sq ft of empty space out of 34m sq ft in Central London, according to a survey published by Debenham Tewson & Chinnocks.

A body blow to plans for east London

By Vanessa Houlder and Andrew Adonis

CANARY WHARF'S failure and increased uncertainty over the Jubilee Line extension may deal a blow to plans to develop east London.

Private-sector investment and improved transport play a critical part in the government's ambitious plans to develop the east Thames corridor, an area stretching from the London Docks through Essex and north Kent.

Although it is the only area capable of substantial growth in the overcrowded south-east, its development will involve reversing decades of decline created by its physical isolation, the run-down of its maritime-based industries and the age-old gravitation of wealth to the west of the City.

Hillier Parker, a firm of chartered surveyors, believes that extending the London Underground's Jubilee Line would greatly enhance the development opportunities of at least 17 sites covering a total of 1,000 acres. The firm estimates that the value of the land would exceed £10bn if it were developed.

Prospects of developing those sites, which have already been set back by the commercial property decline, might be pushed back indefinitely by delays in the improvement of transport links. "Transport links are crucial in terms of development land," says Mr Paul Woods, a planner at Hillier Parker.

The largest sites that would benefit from the Jubilee Line extension are Canary Wharf itself; a 263-acre development on land belonging to British Gas on the Greenwich Peninsula, for which a mixed retail, commercial and residential (5,850 homes) scheme is planned; a 180-acre site at Victoria Dock; and a 240-acre site at Stratford railyard.

There appears to be no immediate threat to the last three of those. British Gas – which is to contribute about £25m to the Jubilee Line – described the threat to the Underground extension as "a bit of a hiccough", but it still intends to proceed with its planning application, which envisages an Underground link at North Greenwich for the development's last phase in 1997.

More concerned are the local councils immediately affected – Southwark, Greenwich, Tower Hamlets and Newham – which fear for the prospects of future development.

The difficulties encountered by Dockland's developers, coupled with the overall slump in the commercial property industry, is likely to deter future investors.

Attempts to attract developers to the Royal Docks, the huge expanse of land to the east of the Isle of Dogs have met little interest.

The London Docklands Development Corporation, the government-funded body set up to oversee the area's regeneration, remains hopeful that the Jubilee Line extension will go ahead.

Mr Eric Sorensen, chief executive, emphasised the importance of the line in creating additional river crossings and opening up Rotherhithe and Deptford.

But even without the extension, the area's road and light railway transport was improving sharply, he said. "We hope by the final completion of the road network plus a reliable railway, we will maintain the momentum of the area."

Why the banks ran out of patience

By Robert Peston

A BOMB WENT off in the heart of London's Docklands when the companies that own Canary Wharf, Europe's biggest new office development, went into administration under UK insolvency procedures.

Creditors and tenants were yesterday trying to predict the damage from the initial impact and its aftershock. Bank creditors face losses of £800m on that project alone. But if the price of adjacent properties fall sharply, the financial carnage may be much worse.

The project's 11 leading bank creditors make no attempt to absolve themselves from responsibility for causing the explosion.

At mid afternoon on Wednesday, in the offices of Allen & Overy in the City of London's Cheapside, they decided they would no longer finance the project as a going concern.

In the circumstances, there were only three alternatives: liquidation, receivership or administration. They opted for the route that gives Canary Wharf a vestigial chance of being "brought back to life", in the words of Mr Michael Dennis, a director of O&Y Developments, owner of the Canary Wharf companies.

However, some of Canary Wharf's bankers believe the UK government is partly to blame. "The government's silence cratered the project", one of the lenders to Canary Wharf said yesterday.

What that banker meant was that the banks wanted the government to make a public commitment to take space for civil servants at Canary Wharf. The Department of the Environment, the Department of Transport and the Department of Trade and Industry have all been in talks about renting hundreds of thousands of square feet. The Environment Department in particular is at an advanced stage of negotiations on taking 400,000 sq ft for 2,000 civil servants.

The banks believed a government commitment of this sort would have been a sign to other prospective tenants of the government's commitment to press ahead with the redevelopment of Docklands and it would have lifted the overall occupancy rate at Canary Wharf from 60 per cent to 70 per cent – close to the level at which it would be possible to find new outside sources of finance for individual buildings.

Yet although the government is keen that the regeneration of Docklands should succeed, it is anxious not to appear to be giving subsidies to a private-sector project.

So over the past week, the banks and the government began a game of cat and mouse, with Mr Pen Kent, an associate director of the Bank of England, trying to translate the meows and squeaks into a common language.

The prime minister, Mr John Major, appointed Mr John Wakeham, the lord privy seal, to co-ordinate all government negotiations with Canary Wharf. Last week, Lord Wakeham told Mr Kent that the government was thinking very hard about moving to Docklands.

Mr Kent duly relayed that to the 11 banks: Barclays and Lloyds from the UK; Canadian Imperial Bank of Commerce, Royal Bank of Canada and National Bank of Canada; Commerzbank from Germany; Crédit Lyonnais of France; Crédit Suisse of Switzerland; Kansallis-Osake Pankki of Finland; and, from the US, Citibank and Manufacturers Hanover. But the government's good intentions were not good enough for the banks. Although they understood that the government would need time before it could sign heads of agreement to take the space, they still wanted the government to make a public statement that it intended to go to Canary Wharf.

Two days ago, Mr Kent then delivered that message to Lord Wakeham. The government felt it could not comply. It sent another coded message that it would take space – but it could not give a firm commitment to do so unless the banks had first agreed to provide sufficient funds to keep Canary Wharf going.

The government could not understand why the banks should insist on embarrassing it by forcing it to make a public statement before the banks provided the requisite funds. Anyway, some ministers did not believe the banks would pull the plug - surely the banks had too much to lose.

Lord Wakeham was to see the banks on Wednesday to explain in person. Shortly after 2pm on that day, though, it became clear to the banks at their meeting that there was no possibility of their reaching a unanimous agreement on providing the £500m of new banking facilities that Canary Wharf needed. Unanimity was a condition of the rescue plan going ahead and only four banks – Crédit Suisse, Citibank, KOP and Crédit Lyonnais – were strongly in favour of providing the new money.

In the event, Lord Wakeham was told not to bother to come to the bankers' meeting. Instead, he alerted Mr Major to the imminent explosion.

John Macgregor
Transport Secretary

High-speed link is stopped in its tracks

Richard Tomkins finds Docklands no longer a dream destination

LONG-delayed plans to build a £4bn high-speed rail link between London and the Channel tunnel seem certain to be thrown into further turmoil by Canary Wharf's financial collapse.

Last October the government rejected British Rail's plans for a line running into the capital from the south and announced that the private sector would be invited to build the link through Stratford and the east Thames corridor.

The assumption underlying the plan was that the private sector would relieve the government of the financial burden involved because of the potential for property gains from lineside developments.

However, the combination of Canary Wharf's insolvency, uncertainty over the outlook for the regeneration of the east Thames corridor and a massive overhang of empty property means it is highly improbable that the private sector will see any potential for property gains for years.

The result may be that the construction of the line will be further delayed until well into the next century. It may also raise fears in south London that the original BR proposals for a southern approach might be re-adopted.

BR has been trying since 1987 to win government permission to build a new, faster line to the Kent coast to provide extra capacity for Channel trains. However, its plans have been stymied by a combination of Treasury objections to the cost and the political controversy over the route.

After the rejection of two previous proposals for the line's construction – one by BR alone and one by a consortium of BR and the private sector – BR last year came up with its definitive plan for a line that would help to pay for itself by providing capacity for high-speed commuter trains as well as the Channel tunnel expresses.

In what Sir Bob Reid, BR chairman, described in an unguarded moment as "a pantomime", the plans were thrown out by the government in favour of an eastern approach proposed by Ove Arup, the consulting engineers, and strongly advocated by Mr Michael Heseltine, then environment secretary.

Although appealing to the extent that it fitted in with Mr Heseltine's vision of regenerating the east Thames corridor, the route appeared to make little financial sense. Not only did it cost £500m more than BR's preferred route: it also attracted £285m less in user benefits because of the fewer commuters it would serve.

The government dismissed such criticisms, claiming that the potential for the line lay in the development gains from the exploitation of sites along the line from Stratford in east London to Rainham in Essex.

Doubts were cast on that assessment immediately when BR disclosed that Pieda, the planning consultants it had retained to study the route options, had assessed the potential benefits at £100m.

The government has nevertheless pursued its intention of finding a private developer to fund the route. Earlier this year it appointed Samuel Montagu, the merchant bank, to help it find a developer. BR's role has been reduced to that of preparing a project ready for the private sector to take over at the end of the year.

Growing uncertainty over the outlook for property gains in the east Thames corridor, however, means it is increasingly unlikely that a private sector developer will be found. That carries two possible implications: first, that the Channel tunnel link will be further delayed or second, that the government has to admit defeat and take the project back into the public sector.

There is just one other possibility. If the Jubilee Line extension were to be cancelled, the Department of Transport would be left with £1.6bn to spend over the next three years and nothing to spend it on. It is just conceivable that Mr John Macgregor, transport secretary, might consider deploying the windfall by making an early start on the Channel tunnel link via Stratford: but the possibility is remote in the extreme.

Family's £1.6bn hole in the ground

By Bernard Simon in Toronto

CANARY WHARF has been a huge drain over the past four years both on Olympia & York Developments and on its owners, the Reichmann family.

O&Y was so strong when it became involved in Docklands that the Reichmanns decided to finance the project without partners and without prearranged bank finance.

Since 1988, O&Y has ploughed US$3bn (£1.6bn) of its own money into the project.

It leveraged many of its properties in the US and Canada to provide the funds for development of Canary Wharf, thereby heightening the risk to the entire company if the Docklands gamble failed to pay off.

A growing chunk of income from the north American properties had to be funnelled across the Atlantic as revenue continued to fall short.

Mr Paul Reichmann, the family's master strategist, has always had a special affection for Canary Wharf. He has taken a close personal interest in even the smallest details of its construction, and remained unshakingly confident in its eventual success.

Even as O&Y's difficulties surfaced two months ago, it appeared that Mr Reichmann would spend more of his time in London, seeking badly needed tenants for the project and overseeing construction work.

Yet the cash demands of Canary Wharf, together with O&Y's inability to repay holders of short-term securities issued to refinance one of the Toronto buildings, precipitated the liquidity shortfall that has now led the Canadian parent and Canary Wharf to seek court protection from their creditors.

The Reichmanns have never disclosed details of their own financial position, but it appears that the bulk of their vast wealth is tied up in O&Y. Among the few exceptions are Olympia Tile, the business that spawned O&Y in the early 1960s and which is now one of north America's biggest floor-covering distributors. The family also owns a few smallish buildings separately from O&Y.

Mr Paul Reichmann is working hard behind the scenes to try to dig the family firm out of the deep hole it now finds itself in. But his older brother, Albert, as well as other members of the family and their close-knit circle of confidantes have been largely sidelined by the fast-moving events of recent weeks.

Life companies win concessions on new reforms

By John Authers

THE Securities and Investments Board, Britain's chief investment watchdog, yesterday announced new concessions to the life insurance industry.

But the conclusions to the SIB's 13-month review of disclosure and standards of advice for investment companies will still, if enacted, administer a rigorous shake-up to the UK's life insurance and investment industry.

Subject to government consent, the SIB proposals will be enacted by the end of this year. Insurance companies would then be given a two-year transitional period to implement most of the changes.

Two changes have been made since its last consultative document was published in March:

● For endowment policies, the SIB will no longer require product providers to reveal the "break-even year" at which the proceeds investors would receive on surrendering a policy would exceed the premiums they had already paid in. On some 25-year policies, this point may not come for ten years.

● The "reduction in policy proceeds" which companies were required to publish as an illustration of the effect of costs on investment returns from life policies may now be renamed the "reduction in benefits".

The SIB has also dropped plans to force companies to use their own charges in projected illustrations of future performance, and to force independent intermediaries to disclose the commission they receive at the point of sale.

It felt that independent intermediaries would be put at a disadvantage if they were forced to reveal commissions and directly employed sales agents did not.

The Consumers Association, however, has expressed concern over the plans. A spokesman said: "We don't agree with the SIB on commission disclosure. They are more concerned to protect the independent sector than with protecting investors, and we very much hope OFT will step in." It was also concerned by the lengthy transitional period which companies have been allowed.

The Association of British Insurers has welcomed the proposals and the the transitional period, which it said would reduce expenses for investors.

But it is dissatisfied with the proposals for disclosure of costs, which it said could cause confusion.

Deficit halts motor industry revival

By Kevin Done,
Motor Industry Correspondent

The UK motor industry trade balance fell back into deficit in the first quarter of 1992 bringing an abrupt halt to the improvement achieved during the deep recession in UK new vehicle sales.

In the last three months of 1991 the motor industry achieved its first quarterly trade surplus since the early 1980s with a surplus of £121m.

According to figures released yesterday by the Society of Motor Manufacturers and Traders (SMMT) the motor industry accumulated a trade deficit of £532m in the first quarter of 1992, however, compared with a deficit of £341m in the same period a year ago.

The sudden deterioration in the sector's trade balance is a further sign that the prolonged UK recession could be ending, as imports have again begun to rise faster than exports.

The performance of the motor industry is a large factor in the development of the overall UK trade balance, and as domestic demand for new vehicles picks up the deficit is expected to grow.

The motor industry trade balance has been in deficit every year since 1982, but last year's deficit at £1bn was the lowest for nine years and showed a sharp fall from £4.6bn in 1990 and a peak deficit of £6.6bn in 1989.

The rapid improvement in the last two years was driven both by the recession, which sharply depressed imports of new cars and commercial vehicles, and by the industry's strong car export performance.

The big growth in exports has come to an end, however, and imports are rising again.

According to the SMMT the value of imported automotive products rose by 12 per cent year-on-year to £3.3bn in the first quarter, while export earnings rose by only 6 per cent to £2.8bn.

The value of car imports jumped by 13 per cent in the first quarter to £1.6bn, while the value of car exports rose by only 3 per cent to £987m.

The growth in the value of imports of auto parts and accessories, which started in the second half of last year, accelerated in the first quarter with a jump of 11 per cent to more than £1.4bn. Exports of parts and accessories also rose strongly by 10 per cent to £1.2bn and accounted for almost 45 per cent of total UK motor industry exports in the first quarter.

Surfin' NRA: The National Rivers Authority is using surfers to collect samples for a seawater survey in south west England. Surfers including Mark McMaster, pictured at work in Croyde Bay, north Devon, have been employed by the NRA for the tests in 100 resorts. The move follows a separate survey published this week by the Tidy Britain Group which said 14 UK beaches failed to meet new environmental and safety standards.

Value of air freight grows by two thirds

THE VALUE of UK international air freight grew by two-thirds between 1980 and 1990 to £43.7bn a year, accounting for almost one fifth of UK international trade, according to a report from the Department of Transport published yesterday. Scheduled airlines increased their grip on the market, writes Daniel Green.

London's airports handled 90 per cent of UK international airfreight in 1990, little changed since 1980. However, the percentage handled at Heathrow fell from 70 to 62 per cent, while other London airports increased from 19 to 26 per cent.

In 1990, UK international airtrade made up less than 0.5 per cent of total UK international trade by weight. Three-quarters of international airfreight was carried on scheduled passenger services - up from half in 1980.

Airtrade with the US accounted for the highest percentage of the total in 1990, both by weight and by value.

Services earn £117bn in export trade

By David Dodwell,
World Trade Editor

BRITAIN earned £117bn in 1991 from the export of invisibles – significantly more than visible exports of £104.8bn – and second only to the US, according to a report published yesterday by the Department of Trade and Industry.

The report says 40 per cent of Britain's total output is now accounted for by invisible, or tradeable services such as tourism and insurance. The fastest growing areas include information transfer and transport services.

It says the creation of the single market in Europe, and international recognition of a number of professional qualifications has also boosted invisibles trade. At the same time, the report illustrates how critically the UK depends on the successful conclusion of the Uruguay Round of world trade talks, which would include for the first time an agreement on multilateral rules for the liberalisation of trade in services.

The world trade in invisibles was estimated to be more than £750bn in 1991, with the UK accounting for about 14 per cent of the total. In 1990 the UK was second only to the US, with Japan, France and Germany falling into third, fourth and fifth places.

Small British firms have been particularly active in invisibles trade, according to the DTI. "Smaller firms have found that large turnover and staffing levels are not a prerequisite for success, and many have been gratified to find that the international business language in services is English."

Britain in brief

BSkyB likely to win rights to FA Cup

British Sky Broadcasting is likely to win five-year rights to show live matches in the FA Cup, the country's leading soccer tournament, as well as home fixtures involving the national side and games in the new Premier League.

BBC and BSB, before it merged with Sky, signed a four year deal worth £30m with the FA. The deal which gives the BBC the right to show one live FA Cup match for every round plus the semi-finals and final has one more year to run.

The two broadcasting organisations, under the terms of the original agreement have the right to first negotiations for a renewal of the contract. It is believed that BSkyB, a venture in which Pearson, owners of the Financial Times has a stake, and the BBC have an agreement in principle for a renewal.

Former Paribas trader cleared

A former UK head of principal trading and sales with Banque Paribas has been cleared on the directions of a judge at the Old Bailey of involvement in an alleged insider dealing network. Mr Keith Tondeur had denied a charge of unlawfully dealing in the shares of Pleasurama, the leisure group, in advance of an announcement of a bid for the company by Mecca Leisure in 1988. The charge was one of seven against Mr Tondeur relating to Pleasurama on which Judge Bruce Laughland QC directed the jury to acquit.

Opera House to be refurbished

The Royal Opera House in London has confirmed that it is to close for three years in 1997 for a £250m refurbishment programme. An appeal is being launched to find £90m - the rest will come from a shops and offices development.

Redevelopment of the 1858 listed building is planned to improve backstage and front-of-house facilities and bring the Royal Ballet on site.

Deal sought on car converters

Government and motor industry officials are negotiating the details of a programme under which cars not fitted with catalytic converters which are still in the supply pipeline after January 1 next year can be sold without breaking EC exhaust emissions rules.

EC environment ministers have accepted the principle of a "reasonable" period for such sales after January 1, when an EC directive requiring every new car registered to be fitted with a "cat" goes into effect.

The UK scheme currently being negotiated provides for a cut-off date for the manufacture of "non-cat" cars.

Fury at Ulster tour promotion

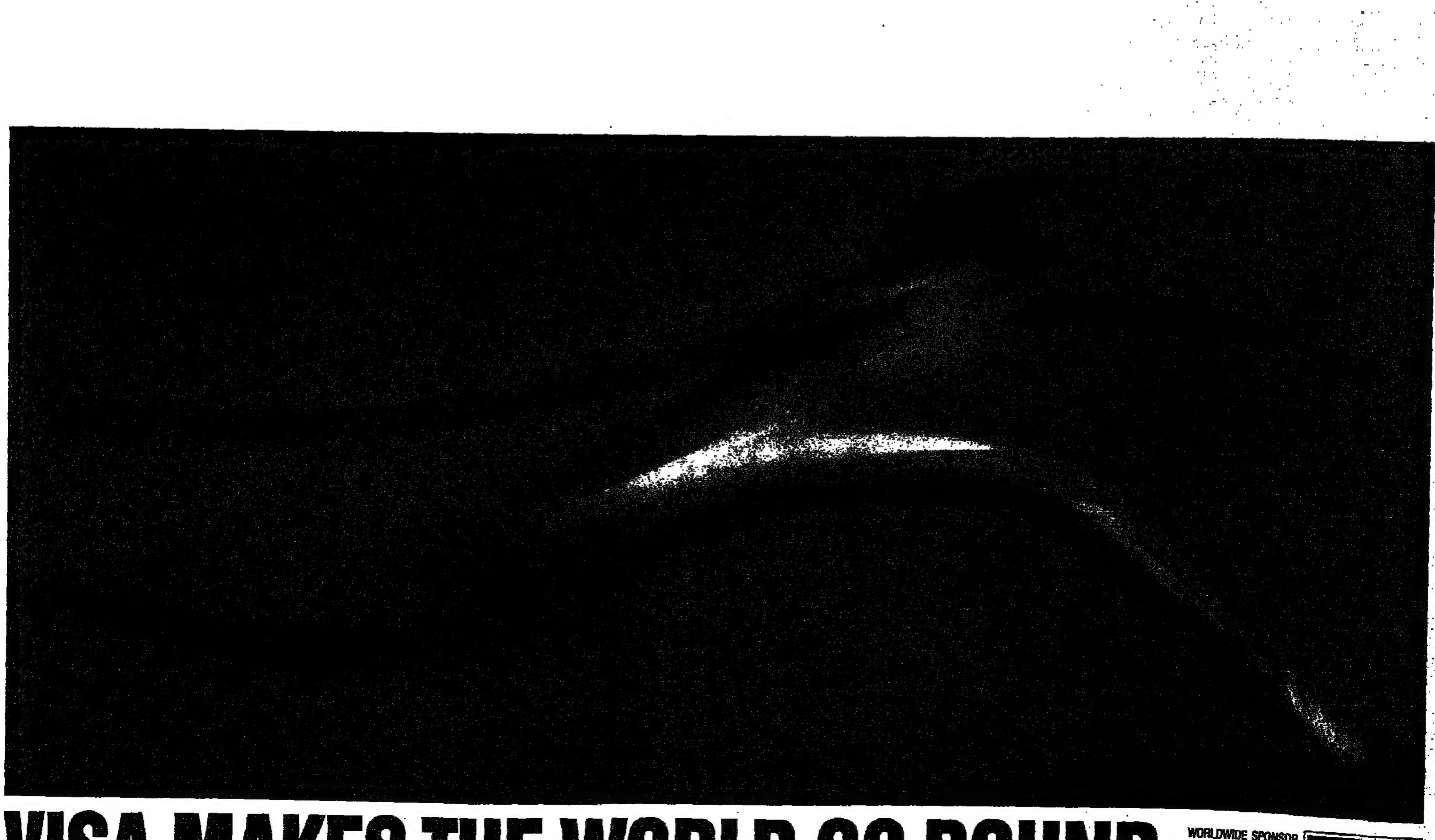
Tourist officials in Northern Ireland found they had promoted fury as well as holiday-making after suggesting that inquisitiveness about the conflict between Protestants and Catholics could be a selling point for the province.

The listing by the Northern Ireland Tourist Board of the "curiousity factor" as an important strength in the province was condemned by political leaders and business.

Tourist board officials hurriedly made clear that its three-year corporate plan would emphasise the need for an increasing understanding about the "troubles".

Oil output recovers

North Sea oil output staged a healthy recovery in April, according to the Royal Bank of Scotland's Oil Index, prompting hopes of improvement in the UK's next balance of payments figures. Output rose by 4.3 per cent to an average of 1.9m barrels per day.



FT LAW REPORTS

Digest of Easter Term cases

DENNEY v JOHN HUDSON & CO LTD (FT, May 8)
In the instant case, the creditor made deliveries of diesel oil to the company both before and after the petition for compulsory winding up. The liquidator sought a declaration that payments for the deliveries were void under section 552 of the Companies Act 1985 and section 127 of the Insolvency Act 1985 which provided that "... any disposition of the company's property ... made after the commencement of the winding-up, unless the court otherwise orders, is void". Dismissing the liquidator's appeal from a decision that the payments made after presentation of the petition were valid, the *Court of Appeal stated* that the parties were acting in accordance with their normal and established course of business. Under its standing arrangement, the company received a benefit in that it could order a supply of fuel oil for which payment was deferred until the next supply was required. The supplies enabled the business to be carried on and earn revenue and the court could reasonably assume that what was for the benefit of the company would be for the benefit of the general body of creditors. Thus it was not a situation in which one pre-liquidation creditor was being preferred to the others.

FREEDMAN & OTHERS v BRITISH RAILWAYS BOARD AND ANOTHER; CHURCH COMMISSIONERS FOR ENGLAND v BRITISH RAILWAYS BOARD AND ANOTHER (FT, May 13)
Some 125 acres of derelict land north of King's Cross Station, which were to form the terminus of the Channel tunnel rail link and a large commercial development, had been compulsorily acquired pursuant to the Great Northern Railway Act 1846. The act empowered the company of that name to build the railway between London and York and the land had since passed into ownership of the defendants, British Railways Board and National Carriers *Ltd. On a preliminary* issue, it was held that the successors from whom the land had been compulsorily acquired could buy back some of it at the original acquisition prices and that acts passed in 1923, 1935 and 1949 had not repealed the relevant sections of the 1846 act. Allowing the defendants' appeal, the Court of Appeal stated that section 59 of the British Transport Commission Act 1949 expressly had *repealed those sections.* A "code" of provisions had been incorporated into the 1846 act and the purpose of section 59(1) was to cancel the effect of the code and other provisions to the same effect.

BACHCHAN v INDIA ABROAD PUBLICATIONS INC (FT, May 14)
The plaintiff was successful in a libel action and obtained judgment for damages in London against a journal, India Abroad, for an edition which had been printed and distributed in the UK by a subsidiary. He sought to enforce the judgment in New York where India Abroad had also published the libel. However, giving judgment for the defendant in New York, the judge stated that the protection of free speech and the press would be seriously jeopardised by entry of foreign libel judgments, granted pursuant to standards deemed appropriate in the UK, but considered antithetical to the protection afforded to the press by the US Constitution.

LEWIS & PEAT (PRODUCE) LTD AND OTHERS v ALMATU PROPERTIES LTD AND OTHERS (FT, May 15)
Lewis & Peat obtained judgment against three defendants and sought to execute that judgment. Its attempts resulted in court orders which included a garnishee order *nisi* against Midland, and *injunctions* restraining Midland from dealing with the proceeds of sale of two cargoes of cocoa and coffee beans after collection of the sale proceeds by Midland. Mr Justice Gatehouse set aside the garnishee proceedings and discharged the injunctions against Midland, declaring that Midland was free to deal with the proceeds of sale in accordance with the instructions of its customer, the National Development Bank of Sierra Leone (NDB); and that NDB was free to give such instructions as it might see fit, including instructions to transfer the *monies out of the jurisdiction.* Lewis & Peat sought to set aside discharge of the injunctions, and the declaration. Dismissing the appeal, the Court of Appeal stated that *it* was of the first importance that routine banking transactions such as these should not be subject to interference by the Mareva jurisdiction, except where an exceptionally strong case had been made out to set aside well-settled principles of banking law.

LAWSON (HM INSPECTOR OF TAXES) v JOHNSON MATTHEY PLC (FT, May 20)
Johnson Matthey owned all the shares in Johnson Matthey Bankers (JMB) which became unable to pay its debts. It was realised that if JMB could not open for business, Johnson Matthey itself could not continue to trade. It therefore agreed to sell the JMB shares to the Bank of England for £1 and to contribute £50m to JMB's resources. It now sought to deduct that sum in the computation of its profits as a revenue and not as a capital expenditure under section 74 of the Income and Corporation Taxes Act 1988. At first instance and in the Court of Appeal, it was held that the £50m was paid to get rid of the shares and so was a capital expenditure. Allowing Johnson Matthey's appeal, the House of Lords stated that, in the light of the authorities, if the £50m was paid to procure the transfer of shares, it was attributable to capital whereas if paid to remove the threat posed by JMB's insolvency, it was attributable to revenue. The £50m had been paid solely to enable Johnson Matthey to be able to continue in business and was not paid to persuade the Bank to take the shares, which were fully paid up and worthless.

KHERSON (FT, May 21)
The vessel, Kerch, which was owned by a Georgian state company, carried a cargo of oil to Rotterdam, and the cargo-owners claimed damages for breach of contract. The cargo-owners sought to arrest Kerch in Rotterdam in October 1990 when security was not forthcoming. In March 1992, a sister ship, Kherson, was arrested at Felixstowe and the shipowners acknowledged service of the writ so that the action ceased to be *in rem* against the ship and now proceeded *in personam* against its owners. Article 21 of the 1968 *Convention on Jurisdiction and* Enforcement of Judgments provided that where proceedings, involving the same cause of action between the same parties, were brought in different contracting states, only the court that was first seised should have jurisdiction. The cargo-owners contended that Article 21 was inapplicable because it was a different cause of action being *in rem* and not *in personam*, which also entailed different parties. Declining jurisdiction, Mr Justice Sheen stated the only differences lay in the remedies available to a successful plaintiff and the procedure to obtain those remedies. In the instant case, Article 21 applied as the Rotterdam action and the action before him involved the *same cause of action and* the same parties.

HAMED EL CHIATY & CO v THOMAS COOK GROUP LTD (FT, May 22)
Claims were brought against Thomas Cook by the plaintiff, an Egyptian tourist company, under agreement for charter for a vessel on package tours on the Nile. The written contract had provided that the agreement would be governed *by Egyptian law but was silent* as to jurisdiction. Thomas Cook contended that the contracts were intended to be subject to the exclusive jurisdiction of Egyptian courts. Staying the actions in the UK, Mr Justice Hirst stated that Thomas Cook was entitled to rely on the principle in *El Amria* [1981] 2 Lloyd's Rep 119 that the court would generally enforce an agreement on a rectification order where there was convincing proof that there had been a prior agreement that was still effective when the instrument was executed and that by mistake the instrument had failed to carry it out. Moreover, in applying the test of which country was the natural forum, the evidence as a whole pointed overwhelmingly in favour of Egypt since the actions had their most real and substantial connection there.

Aviva Golden

PEOPLE

P&O expands into Asian waters

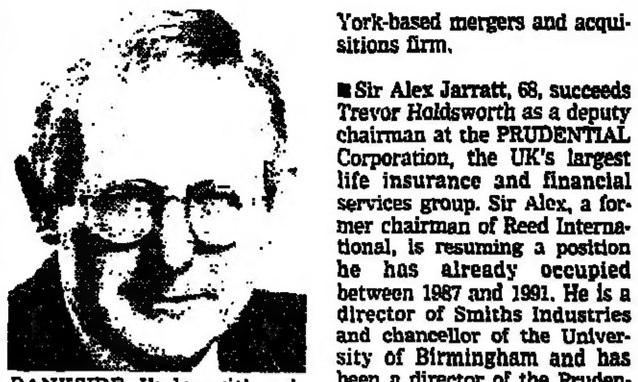
Ian Mullen, a 44-year-old merchant banker, has been hired by P&O to spearhead its expansion in Asia. A Scot who has spent 13 years in Hong Kong, Mullen has been appointed executive director of the newly-established P&O Asia which is based in Hong Kong.

Although P&O has long historical ties with Hong Kong – Thomas Sutherland, one of P&O's more famous chairmen helped found the Hongkong and Shanghai Bank – it is under-invested in the area. Last year P&O's stock was listed on the Hong Kong stock exchange and P&O chairman Lord Sterling, who will also be chairman of the new Hong Kong-based company, has given Mullen the job of getting P&O more heavily involved in the fast-growing economies of the region.

Mullen, a former director of Midland Montagu where he was responsible for the parent bank's £20bn UK corporate banking portfolio, plans to expand by a combination of organic growth and non-hostile acquisitions. P&O Asia will have offices in Singapore, Indonesia, Malaysia and Japan.

Before joining Midland Bank in 1984 as the Hong Kong-based regional head of corporate finance, Mullen had been a shipping adviser with the Hong Kong Bank. A graduate of Edinburgh University, he began his career in shipping in Shetland with Hay and Company and in Italy and the Far East with Mollers Group.

The other members of the new P&O Asia board are Brian Baillie, executive deputy chairman, Bruce MacPhail, Sir Frank Lampl, Tim Harris, and Richard Hein.



BANKSIDE Underwriting is the latest Lloyd's agency group to look outside the Lloyd's insurance market for its new chief executive; it appointed a banker and stockbroker. Angus Scrimgeour (above) last week. Scrimgeour, 47, joins Bankside after a spell with Henry Cooke Group, the stockbroker and financial services group, where he was deputy *chairman. Before* that, he spent over a decade with Citibank. "We particularly wanted someone who was not narrowly based in Lloyd's and with a wider financial background," says Elvin Patrick, the chairman. Bankside is a "business school textbook case of an entrepreneurially lead company which is now of a size and complexity where it needs to be properly run," he adds.

■ JOHNSON & HIGGINS Ltd, the Lloyd's broking arm of the New York-based insurance broking group, has appointed a merchant banker, Emmanuel Olympitis, to be its managing director. Olympitis, now in his early 40s, has also been appointed managing director of Johnson & Higgins Holdings and a director of Johnson & Higgins UK.

He was formerly group chief executive of Aitken Hume International, the publicly quoted banking and financial services group, and earlier was a partner in The American Acquisition Company, a New York-based mergers and acquisitions firm.

■ Sir Alex Jarratt, 68, succeeds Trevor Holdsworth as a deputy chairman at the PRUDENTIAL Corporation, the UK's largest life insurance and financial services group. Sir Alex, a former chairman of Reed International, is resuming a position he has already occupied between 1987 and 1991. He is a director of Smiths Industries and chancellor of the University of Birmingham and has been a director of the Prudential since 1985.

Three non-executive directors Lord Hunt, Lord Butterfield and Julius Neave have retired from the board.

■ Cecil Buckett has become finance director of BRITISH FITTINGS GROUP in place of Brian Smith.
■ Charles Taylor has been appointed md of Fortress Interlocks, a subsidiary of HALMA.
■ Jonathan Ward, previously a director of Tootal, has been appointed chairman of REPORTS FOR BUSINESS.

■ Robert Meakin (above left) is appointed director of personnel at BRITISH AEROSPACE on the retirement of Frank Saundry.
■ Gerald Owen (above right), lubricants Asia director of BURMAH CASTROL, is appointed director chemicals and to the main board, on the resignation of John Griffiths because of ill health.
■ Mike Harling, Midlands divisional director of DIXONS, and Ted Stanley, who moves from Federal Express, have been appointed sales and operations director, respectively, of E&S Retail, the joint retailing venture between Eastern Electricity and Southern Electric.
■ Justin Jewitt has been appointed md of LAUNDRYCRAFT, part of Initial UK; he moves from Rent-a-Center, a North American subsidiary of Thorn EMI.
■ John Broadbent has been appointed md of MARLEY FLOORS.
■ Stephen Connock, general manager (human resources) for Pearl Assurance, is appointed personnel and public affairs director of EASTERN ELECTRICITY, on the retirement of Lawrence French.
■ Mark Galsworthy has been promoted to md of the British operations of KNOGO.
■ Jim Grant, md Somerfield, and Bryan Taker, organisation and manpower development director, have been appointed to the main board of GATEWAY FOODMARKETS.
■ Terry Green, chief executive of Debenhams, and Geoffrey Powell, group operations director, have been appointed to the board of The BURTON Group. Martin McNamee is appointed md of Burton Menswear, replacing Brian Moody who is leaving.
■ Paul Mason has been appointed director of logistics at B&Q.
■ Michael Chambers has been appointed development director of CULLENS.

■ Gerry Orbell (above left), previously director of exploration for Fina Exploration, part of Petrofina, has been appointed to the board as director of exploration at PREMIER CONSOLIDATED OILFIELDS.
■ Bob Andrews (above right), formerly group company secretary of Aegis, has been appointed group company secretary of BOOKER.
■ Richard Read has been promoted to chief executive of LORNE STEWART, a BET plant services company.
■ Lionel Moore has been appointed finance director and company secretary of RADAMEC GROUP on the resignation of Clive Lewis.

■ Paul Fletcher, previously md of Holman Wade, and Jamie Hay, previously a director of Oakwood Underwriting Agency, have been appointed directors of CASSIDY DAVIS MEMBERS AGENCY.
■ John Clayton has been appointed company secretary of GUARDIAN ROYAL EXCHANGE on the retirement of John Evans.
■ John Bacon, John Howard, Bob Murrell, and Geoff Sherman have been appointed directors of RICHARDS, LONGSTAFF (INSURANCE); Bill Wright is appointed a director of its estates and private clients division, and Chris Allen a director of its special risks division.
■ Diethart Breipohl has resigned from the Cornhill board because of additional commitments within the Allianz Group; Alexander Hoyos, a member of the executive board of Allianz Versicherungs, has been appointed to the board of CORNHILL INSURANCE.
■ Paul Little has been promoted to deputy md of LOWNDES LAMBERT CARGO.

THE PROPERTY MARKET

Spoilt for choice

By Vanessa Houlder

Canary Wharf's plunge into administration stems in part from the UK government's dithering over whether to relocate its civil servants to the 4.5m sq ft development in the London Docklands.

The delay is more than just an illustration of the slow pace of government decision-making. The Conservative government, which faces considerable embarrassment over the plight of the Docklands because of its strong ideological and fiscal support for the region, has been anxious not to appear to be bailing out a bankrupt developer. For the government, the need to obtain value-for-money in its choice of office space for Whitehall-based civil servants has been all important, prompting a careful consideration of other potential accommodation in the Docklands.

Two weeks ago Sir Terence Heiser, permanent secretary at the Department of the Environment, and a score of his most senior civil servants went on a tour of the Docklands in search of offices to house some 2,000 civil servants.

The senior civil servants' visit underlined one of the most remarkable features about the parlous state of Docklands: the abundance of empty, modern buildings that are large enough to accommodate an entire government department.

There are three premises – besides Canary Wharf – on the civil servants' list of potential new homes for Department of Environment staff. All are large, audacious schemes.

In the middle of the Isle of Dogs, the half-empty Harbour Exchange is a 1m sq ft behemoth of dark, mirrored glass. East India Dock, on the eastern edge of the enterprise zone, is a light, neat edifice totalling 600,000 sq ft. Thomas More Square, a pale elegant structure on the western fringe of Docklands, contains 550,000 sq ft of space of which 80,000 sq ft has been let.

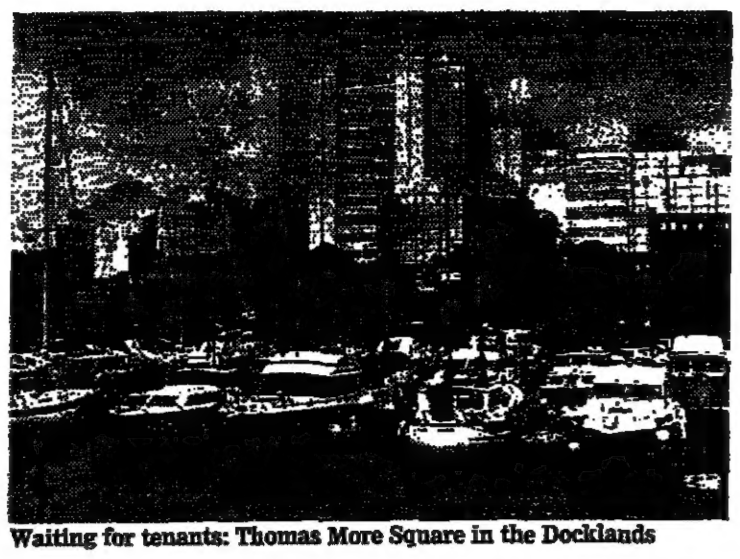
Three out of the four schemes have been built by non-UK developers – as good a sign as any of overseas developers' more adventurous outlook towards the Docklands.

East India Dock was developed by the Swedish partnership of NCC and SPP. Thomas More Square was built by Skanska, the Swedish developers. Canary Wharf is, of course, the work of Olympia & York, the Canadian developer which has sought protection from its creditors.

Harbour Exchange has been built by Charter Group, a private UK property company, which was once one of the most successful Docklands developers, although it has recently run into difficulties. Like O&Y, Charter Group was admired by Mrs Margaret Thatcher, former UK prime minister, who wrote the foreword to one of its marketing publications.

The claims made by the developers are depressingly interchangeable: "A magnificent building with facilities unmatched in London"; "an unrivalled modern office scheme"; "the quality of the buildings surpasses that of any other office accommodation in the capital."

Most property experts undoubtedly believe the quality of the Canary Wharf buildings is a cut above other Docklands competitors.


Waiting for tenants: Thomas More Square in the Docklands

And Canary Wharf is likely to be favoured by the government in its final selection of a new home for Department of Environment civil servants if a deal is struck with O&Y's bankers over the Jubilee Line extension. Whichever of the quartet is selected, the new premises would be a huge improvement on the crumbling bulk of the Department of the Environment's current offices at Marsham Street in Victoria.

The four buildings' location and facilities differ substantially. East India Dock is surrounded by traffic, a housing estate and the Financial Times's printing plant. Both Canary Wharf and Harbour Exchange are in the heart of the Isle of Dogs with a reasonable selection of shops nearby. Thomas More Square, to the east of St Katherine's Dock by the City, is 10 minutes walk to the nearest tube station.

The government has said that its final decision will rest on value for money. Canary Wharf's owners are believed to be asking £15 per sq ft; the government has been offering only £13 per sq ft. O&Y's move into administration could lower asking rents in the area still further.

Arriving at a swift decision over the Department of Environment's new home has been a prime concern for the government. However, Knight Frank & Rutley, the government's adviser, has argued it needs more detailed negotiations before it can come to a conclusion over which is the most suitable site.

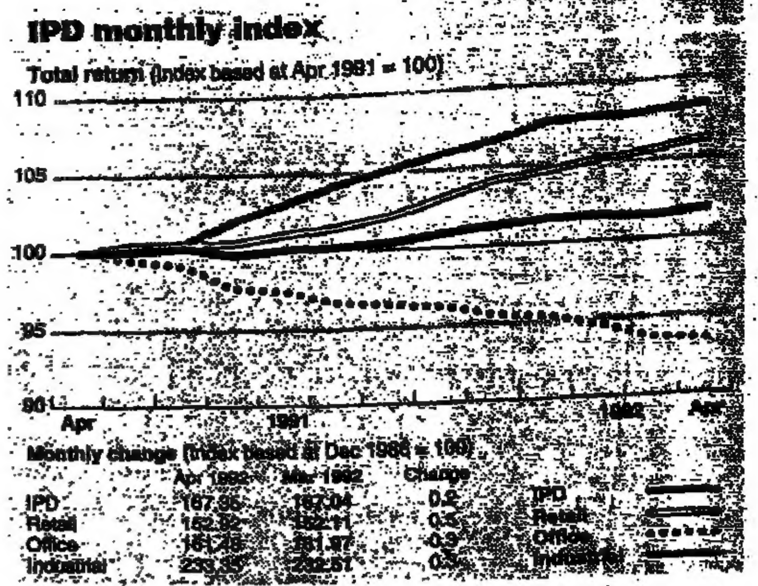
Yet the decision to move to the Docklands is by no means cut and dried. Certainly, the outcome is likely to be jeopardised by the cancellation of the Jubilee Line extension, following O&Y's move into administration.

One alternative for the government would be to consider using those central London premises made vacant by the relocation of civil servants from other departments. "There is a possibility that the government could take the option of using the existing government estate," says Mr Michael Soames of Knight Frank & Rutley.

The Department of Transport, which shares the Marsham Street premises with the Department of Environment, is undertaking separate reviews of its relocation needs and is thought to be unwilling to make any rapid decision to move staff to the Docklands.

Civil servants would welcome any proposal that avoids the Docklands. Many staff are incensed by the prospect of being sent to an area that has been largely spurned by the private sector. The civil servants' unions are seriously concerned about the impact on staff of splitting up the department, longer journeys to work and the relative shortage of facilities in the Docklands.

"The effect on staff morale will be devastating," says Mr John Rouse of the First Division Association. Mr John Delaney of the National Union of Civil and Public Servants goes further. "It could well lead to industrial action," he says.



Signs of stability

The commercial property market is showing some signs of stabilising, according to the April figures from the Investment Property Databank, an independent research group.

Property yields remained static at an all-time high of 9.7 per cent and the total return for the month was positive at 0.2 per cent. This indicates that high income returns are counteracting the negative impact of capital value decline, says IPD.

Rental values continued to fall in all sectors, although the rate of decline is showing some signs of slowing for the first time this year.

The figures for the year to April still show an improvement in total return, which now stands at 1.8 per cent. In spite of a slight recovery in its long term performance, the office sector continues to depress all property returns with a negative impact of -18.4 per cent.

The return from the retail sector of 0.5 per cent outperformed that of industrials at 0.3 per cent.

The capital and rental growth measures for industrial property declined by half a point in April but total return crept back up to 0.3 per cent, following a sudden downturn in February.

In the long term, industrial property maintains its position as the market leader, with a total return of 8.4 per cent for the year to April, two percentage points above the annual return for retails.

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Regional Representative, PNSC
450 High Road, Ilford,IG1 1UF, ESSEX
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No longer the ugly duckling

Daimler-Benz, Germany's largest industrial group, wants to spend more money in Britain. Keen to cut costs, it has embarked on a thorough search for sources of supply cheaper than high-cost Germany.

Now that the UK has largely shed its strike-prone image, and Germany has acquired one of its own, Daimler feels the time is ripe to look for reliable, quality-minded suppliers. "For several years now, we have ceased to be concerned about British suppliers' performance," says Klaus Engelhardt, Daimler's purchasing director.

Last year, the company bought DM57bn ($35bn) worth of parts and supplies, but only 15 per cent came from overseas. The group's aim is to raise that share to 20 per cent in the next few years.

It is concentrating on the UK partly because it is fairly close and, as Engelhardt says, "we can see that the UK motor industry is starting to flourish again".

At present, the UK is third on the list of foreign suppliers, just behind France and the US and accounting for DM1bn of group purchasing.

Daimler decided to make a big splash in London last June with a one-day supplier conference, its biggest ever. Around 340 companies wanted to come, but only 95 could be accommodated. Daimler is still in contact with most of them.

"We don't just look at the naked price," Engelhardt explains. Seemingly big price advantages can be eroded by freight, packaging, insurance and other costs. If there is still a pricing edge of at least 5 per cent Daimler will take parts for testing and later place firm orders.

Altogether, the process from initial talks to final ordering takes around two years. Engelhardt's department works closely with the divisions using the bought-in components. The main thrust now is on the car side, where cost pressures are most acute.

There is a twist to Daimler's interest in the UK. Attracted by the Japanese-led resurgence in the UK motor sector, German suppliers like Siemens, VDO and Bosch have set up components subsidiaries in the UK; others are following. So Daimler may find itself buying British with a German flavour.

Andrew Fisher

Christopher Lorenz finds out why the clearers seem unable to match other companies in terms of service

No credit to banks

NAME your 10 favourite large service organisations. If you are anything like me, they will include several retail chains, a travel agency, a hotel group, and perhaps an airline, a utility, or a car rental company. My list is topped by three retailers: Boots and John Lewis in Britain, and L.L.Bean in America.

But unless you live in the US, or use Citicorp or American Express abroad, I'll bet that none of your favourites is a bank or a credit card organisation. In Britain most retail banks seem to equate good service with little more than glossy advertising and restyled branch interiors.

This is not just a matter of personal prejudice. My distrust of banks is shared, for a start, by Linda King Taylor, a service expert who is the author of a new book with the ambitious title of Quality: Total Customer Service*. She refused to include any bank in her volume, which consists of British case studies.

Her reason, she says, was that she could find no UK bank which met her criteria of excellent customer service. These include: total board commitment to it; adaptation of all the company's systems to suit the needs of the customer; thorough training and empowerment of staff to deliver consistently good service; and continual measurement to ensure this.

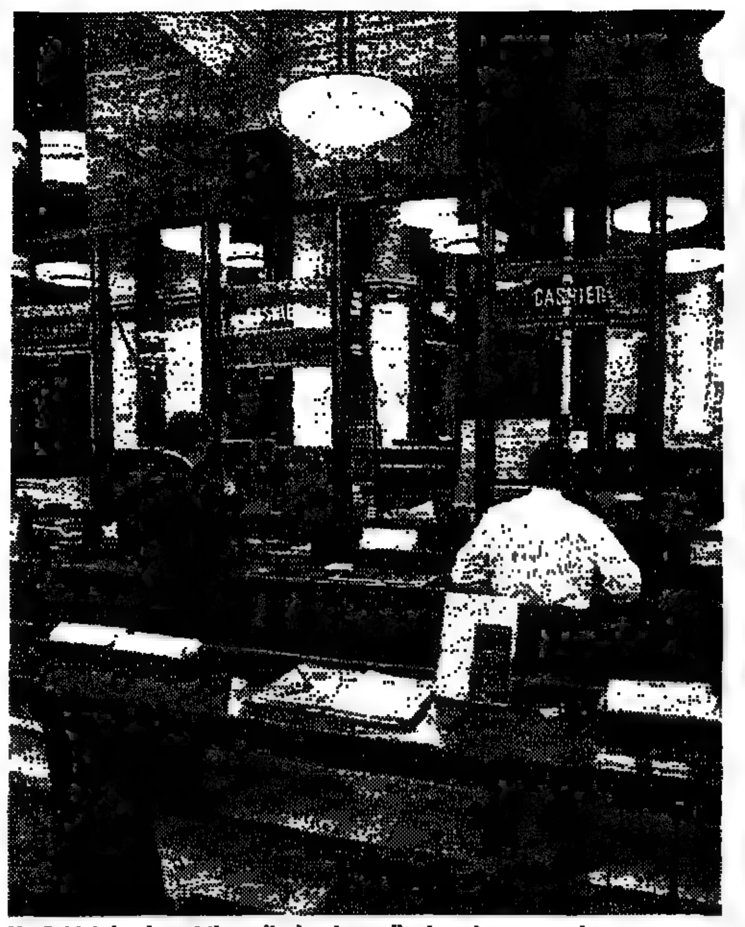
She did, however, include cases on a building society (the Portman), on one part of a utility (the south-eastern region of British Gas), and even – surprisingly – London's Metropolitan Police.

With the exception of several small branches of two banks, my experience echoes Taylor's judgment to the letter.

I have just had a telling experience with my new National Westminster Access credit card. Earlier this month, a polite standard letter arrived, pointing out that I had exceeded my credit limit, and asking for a payment. No deadline was given, nor any warning to avoid using the card until payment had been received. Yet a few days later I heard from a puzzled shop that a tiny charge – for £10.50 – had been refused.

Not even the once-vilified North Thames area of British Gas, in its blackest days of service quality (now very much rectified), would have done such a thing. Cutting off a customer's supply without warning, whether the commodity be gas or credit, is to break one of the most fundamental principles of any type of service: the need to keep the customer informed.

To be fair to NatWest, both its Access department and its HQ staff handled the matter helpfully. They also admitted that the velvet-phrased letter and the iron-fisted action were inconsistent, or "faintly strange", as one employee put it. The mismatch between the offending systems is now being reviewed.



No British bank met the criteria of excellent customer service

This responsiveness in dealing with at least one customer's complaint dilutes (very slightly) one's obvious surprise at finding NatWest listed as one of "50 European companies with top quality service" in a new book which is directly competitive with Taylor's.

The volume, under the main title of Total Customer Satisfaction**, is co-authored by two consultants, Jacques Horowitz and Michele Jurgens Panak. The latter has particular expertise in banking.

But this does not make her any kinder to that industry than Taylor. She cites three main reasons why retail banks, especially in Britain, generally fail to offer as high service quality as many other types of organisation.

First, she says they have to deal with relatively large numbers of people, both internally and externally. (She cites NatWest's 110,000 employees and 6m customers.) That makes for plenty of fallible human contacts between employees and customers. Yet some retail chains have nearly as many people to deal with, both internally and externally, and yet provide an excellent standard of service.

Second, Jurgens points to the banks' high rate of staff turnover, which makes quality service difficult to achieve and sustain. Yet turnover is equally high among some retail chains – especially those laggards which do relatively little to retain staff.

Jurgens hits the nail on the head with her third reason: that, until recently, British banks have not experienced much competition. Here they do differ markedly from the big retailers, who have to battle almost every week to stop flighty customers deserting to rivals.

So why did Jurgens include NatWest? In some ways she is heavily critical of the bank, saying that it still suffers from considerable bureaucracy and an inward-looking culture that puts self-protection before the interests of its customers. It still has systems that she calls "so anti-customer that it's unbelievable".

All the same, she says there is now a solid group of individuals within the bank committed to giving good service. She included NatWest because of the considerable and instructive effort which it has made since introducing its service quality programme in 1983. This has had patchy results, and has made little difference to the overall public perception of the bank vis-a-vis its principal competitors; customer expectations are at last rising. But the programme constitutes a vital part of the bank's future competitiveness.

For organisations in any type of industry, Jurgens' book, like Taylor's, contains plenty of helpful advice on how to improve service quality.

Good service companies empower their middle managers, the book argues, by giving them considerable independence, albeit within varying limits. Banks need to act likewise: to strike the right balance between empowered people who can make decisions on their own, and well-designed systems to which managers and other staff are programmed.

Most banks still err excessively towards over-programming – to systems which are not even particularly well-designed. They do so at the expense not only of managerial morale but also of customer service and loyalty.

** Published by Century Business in Sunday Times Business Skills series, £20. ** Published in Financial Times/Pitman series of Books for Business, £30.*

Making the boss feel above par

By Kate Button

Only in California would you find a family therapist turned management consultant running his business on a sail boat and a golf course, and making a good profit during recession.

J "Mitch" Perry, president of the Perry Corporation based in Palo Alto, California, is a pioneer of soft consultancy. While British management consultancies are facing increased competition and lower profits, Perry expects to increase sales this year by a third.

Soft consultancy uses unorthodox means to get across some of the woolier aspects of corporate strategy. The idea is that by combining management theory with some practice on the golf course, the ideas are more likely to stick.

One of Perry's leading products is the Executive Cup, a lesson in teamwork. For two days and for $1,500 (£850) each, candidates are put in a classroom and taught how to perform well in a group. They are then cast off in sailboats on the San Francisco Bay to put the methodology into practice. "There is an enormous difference between what people intellectualise in the classroom and what they actually do in a boat," says Perry.

At the end of the course each participant has to declare how they intend to adapt their behaviour, thus creating what Perry calls "emotional sign up" to corporate objectives.

Cynics might say this is simply a tax-efficient way of giving executives a good time. Yet Perry's clients, having thoroughly enjoyed themselves, swear it has been of real use to their companies.

Sam Jones, president of the Product Exchange, a fresh produce dealer based in San Ramon, California, sent 50 of his workforce on the Executive Cup, at a total cost of $75,000. He claims that the programme transformed the whole mentality of his staff. "It was a wonderful experience," says Jones. "It is no longer 'them' and 'us', but 'we', the Produce Exchange."

Another "magic and substance" product offered by Perry is the Performance Classic. This three-day programme costs $2,500 per person and includes three mornings on one of California's most prestigious golf courses. This is not simply way of improving your handicap, says Perry: "It is about you and your performance in all aspects of life – personal and business."

Jim Dobbins, president of Crestwood Hospitals, a nursing facility based in northern California, spent more than $100,000 with the JM Perry Corporation in 1991, more than he had ever spent before on consultancy and training. He attended the Performance Classic and says: "I wanted to improve my game, but I came away with much more than that. I had a real good feeling for the principles of reacting rapidly to adversity that Mitch Perry taught."

Not all organisations are supportive of this kind of consultancy. "Some companies are concerned about their image and say, 'People will think: I'm having too much fun if I go sailing'," admits Perry.

However, a surprisingly large number of US companies seem to view golfing, sailing, white water rafting and cross country skiing as legitimate ways of developing business skills. Even during a recession, companies including Amdahl, Citibank, NEC Technologies and Andersen Consulting have commissioned services from the JM Perry Corporation. IBM recently joined the ranks, signing a contract to send 85 employees on the Executive Cup.

It is hard to see the idea working well in Britain: while many businessmen might relish the idea of three days' golfing on company expenses, their shareholders might take another view.

Optical illusion on disc

Until last year Carlin Music, one of Britain's oldest music publishers, kept 85,000 contracts in filing cabinets.

Contracts were pulled out whenever they were needed and as a result many became dog-eared. Occasionally a copy might even go missing. The catalogue continued to grow and Carlin finally realised that it needed a more efficient method of storage. "Adding more staff and filing cabinets would have only made the problem bigger," says Amos Biegun, computer manager at Carlin.

The obvious alternative was an electronic imaging system, but until recently they have been prohibitively expensive. Now, however, falling hardware prices and software packages which will run on industry standard PCs have brought such systems within the reach of small businesses like Carlin.

Beginning in December Carlin began the process of replacing its manual filing system with a document imaging system based on a PC-based document image processing (Dip) software package called ScanView Professional from Greengage Development, a leading UK-based Dip developer.

Using a high-speed, 20-page-per-minute document scanner Carlin's contracts were scanned into the system and squeezed using file compression techniques. They were then stored electronically. Because Carlin needed to store so many documents, an optical "juke box" was also installed which makes several discs – each of which holds up to 30,000 pages – available instantly.

The system including hardware cost about £30,000 and is expected to pay for itself quickly. Carlin is now considering using Greengage's latest product, FilePlus V2.0, for its other document storage and retrieval needs including copyright, royalties and accounting.

Greengage will be one of the exhibitors at the two-day OIS/Document Management 92 conference and exhibition at Wembley Conference and Exhibition Centre in London, which begins on Tuesday. The event has been arranged by Meckler, the IT conference and exhibition organiser, and Cimtech (the National Centre for Information Management and Technology).

Paul Taylor

Apple will today unveil Newton, an electronic gadget which it claims will help you take control of your life, writes **Louise Kehoe**

Feel the force

Is your desk a mess? Do you have a hard time keeping track of notes from meetings and phone calls? Have you ever missed an appointment because you forgot to write it in your diary after a business trip?

What you need, according to Apple Computer, is "Newton", a pocket-sized electronic gadget that will help you to "take control of your life and get organised".

John Sculley, Apple chairman and chief executive, will provide the first public demonstration of prototype Newton technology at the Consumer Electronics Show in Chicago today. "This is the beginning of the biggest thing Apple has ever done. Our goal is to be the Johnny Appleseed of this new market for highly personalised devices that you can carry around in your pocket." Apple plans to start selling the devices early next year.

The prototype is just the beginning, Apple executives stress. Even so, it has an obvious appeal. A little black box, about seven inches by four-and-a-half inches, at first glance Newton looks like a Sony Diskman, with curved surfaces and rounded edges; a "soft friendly shape" that invites you to hold it, as Apple's marketers put it.

A flip-up lid reveals a five-by-three-inch grey screen with black "icons" printed on it. There are no buttons to press, except the on/off switch. A pen-like stylus slots into the side of the unit.

You use Newton like a note pad, jotting down lists of things to do, sketching diagrams, recording appointments as you talk on the phone or taking notes in a meeting.

Automatically, the machine will file the information, putting appointments in the electronic calendar, recording phone numbers and addresses, or storing away notes that can be retrieved easily.

Newton's biggest advantage over paper and pen, even for the most well-organised of people, is its ability to communicate via facsimile, telephone or computer networks. You could, for example, scribble a "Happy Birthday" note to be sent tomorrow. Newton will make sure you don't forget, and send the message automatically.

Or perhaps you are going to Paris. A phone call will supply Newton with such information as a map of the Paris Metro, along with a built-in phrase book and perhaps a guide to the Louvre. Point to a spot on the map and it will tell you how to get there. Write what you need to say and it will translate.

The extent to which Newton can call upon outside help, such as the Paris guide, will depend upon the development of third-party software and information services.

Establishing new distribution channels for Newton is also an important step in Apple's strategy to play a leading role in what Sculley predicts will become $3.5 trillion (million million) market by the turn of the century for a new class of consumer products that blend computer and communications technologies with entertainment and information services.

Apple aims to sell Newton to people who have little interest in technology, and even those who are averse to high-tech gadgets, so the *company's promotions will not* stress technical details.

However, some sophisticated computer hardware and software will be hidden inside Newton's little black box. The unit will be powered by a Risc processor designed by Advanced Risc Machines of Cambridge, England, which engineers say was chosen for its high performance and low power consumption.

To provide strong data storage capacity, Apple will make use of "flash memory cards" that can store *up to 20 MBytes of data on a card* not much bigger than a credit card.

Early models of Newton will incorporate infra-red communications to exchange data with computers over short distances. Ultimately, however, Apple aims to give Newton the ability to operate across longer distances by using radio communications.

Yet Apple's strength, in what is expected to become a highly competitive market, lies in its software. The handwriting recognition programs demonstrated by Apple are winning acclaim among industry experts. Unique to Newton is its ability to recognise and to make symmetrical rough sketches of shapes. A user, for example, may scrawl a circle and it will automatically be rounded and centred. Future Newton products will also incorporate speech recognition.

Perhaps Apple's greatest advantage as it approaches this emerging market is imagination. Numerous companies have introduced "pen computers", but none has so far aimed them at the mass consumer market. Others, such as Hewlett-Packard, Poqet Computer and Psion offer pocket-sized computers, but none is as simple to use as Newton. There are also plenty of "electronic organisers" on the market, but these appeal only to high-tech gadget fans.

None the less, Apple faces some significant challenges. The company's reluctance to detail features of its first Newton appears to reflect the difficulty it faces in compromising between performance and price. *The data storage capacity of the first Newton model may, for example, determine whether it will sell for about $500 or for more than $700.*

Breaking with its past practice of jealously guarding proprietary technology, Apple is looking for technology partners who will license its Newton technology to create compatible products that may also compete with Apple's Newton. Royalties from licensees will make up a significant portion of Apple's Newton revenues within a few years, the company predicts.

The first such Apple Newton partner is Sharp Electronics of Japan, which will manufacture Newton products for Apple as well as making its own versions for the Japanese market.

Apple is also expected to face stiff competition. Casting a shadow over today's demonstration at the Consumer Electronics Show in Chicago was the announcement yesterday that Tandy, a force in the US consumer electronics market, is to collaborate with Casio, one of Japan's leading consumer electronics manufacturers, to develop, manufacture and market a line of personal information devices based on "open standards" that will compete directly with Apple's Newton.

Newton is aimed at a wide audience unimpressed by technical detail

Worth Watching · Paul Taylor

Driven to distraction

Japanese drivers will soon have no excuse for being lost – or suffering from boredom on long trips. Pioneer Electronic is to market a car navigation system which also offers drivers quiz programmes, horoscope readings and karaoke tunes.

The Avic-G10 computer system, which uses satellite signals to pinpoint a car on an electronic maps, will be launched in Japan next month at a cost of Y465,000 (£2,000). It will also play navigational and entertainment programmes on 11 compact discs costing between Y9,800 and Y29,800 each.

According to Pioneer: "Demand is growing, we expect car navigation systems to become a pillar supporting the car electronics market along with car audio systems." Pioneer Electronic: Japan, 03 494 1111.

Two cables are better than one

Electricians have long known that current in electrical systems can be monitored by measuring the magnetic field around conductors in the circuit. But there is no method of monitoring current in twin or multiple cables without disturbing the protective sheath, writes Andrew Baxter.

Now Mike Watson, a British inventor, has developed a cable coupling transformer which provides the long sought-after non-contact method of monitoring current in twin-cored cables. The Watsonline system can send or receive electrical information without picking up interference, allowing a high level of amplification.

Watson, who is managing director of Paraphone, the group set up to exploit the product commercially, sees a range of applications for the device apart from providing a simple way for electricians to check currents or do fault diagnosis.

Connected to a loudspeaker, it could replace inductive loops for people with hearing difficulties. Alternatively, it could be used as an instant pocket telephone loudspeaker or for underwater voice communication. Paraphone, 0932 220612.

Good vibrations on the local network

Local area networks (Lans) are an effective way of linking desktop PCs together. But managing and maintaining complex networks can be difficult for managers who have to use separate software packages for each task, such as systems maintenance.

Microcom, the US-based data communications and connectivity specialist, has launched LANlord which it claims is the first integrated software package for the centralised management of PC workstations on networks.

LANlord automatically collects, stores and updates network and workstation statistics and notifies managers if any pre-set "alert-thresholds" are reached, thereby helping network managers to anticipate problems as well as responding to users' requests for help. Microcom: US, 617 551 1000; UK, 0483 740763.

Sea sponge soaks up barnacles

Barnacles on ships' hulls lead to increased friction and higher fuel consumption, slowing down the vessel and speeding up metal corrosion. On offshore platforms the deposits can cause a destabilising load on the structural members.

At present there is no ideal recipe against fouling. But researchers at TNO, the *Netherlands Organisation for* Applied Scientific Research, believe that sea sponges may hold the secret to an environmentally friendly anti-fouling technology.

Field and lab tests using 50 different species of sponge from the Caribbean Sea have revealed the sponge's ability to shun barnacles, bi-valves and algae. But the active substances providing the protection are not yet understood. TNO: Netherlands, 3115 694975.

The mystery of the two yarnwinders

Patricia Morison on a question of attribution

Leonardo da Vinci was infinitely distractable. In 1501, the head of the Carmelites in Florence wrote to warn Isabella d'Este that her chances of getting a painting out of Leonardo looked worse than ever.

Leonardo, the prior reported, was so enthralled by mathematical experiments that "he cannot bear the brush". No doubt more irritating still, for the marchioness was to learn that another collector, a Frenchman called Florimond Robertet, had now jumped the queue.

Distracted Leonardo might have been, yet even so he managed to come up with what the prior recorded as a novel version of the Virgin and Child: the "Madonna with the Yarnwinder". Soon, Leonardesque painters were turning out versions and pastiches of it, both good and bad. *Leonardo da Vinci*.

"The Mystery of the *Madonna of the Yarnwinder*", at the National Gallery of Scotland in Edinburgh, takes a close look at a problem which has long bothered Leonardo scholars. Two unquestionably lovely versions of the theme have survived. Which has the stronger claim to be by Leonardo, and could it be the painting for Robertet?

Puzzle-solving exhibitions have been the success story of this decade. The Edinburgh show runs true to type in not being particularly large, although it is filled out with drawings and historical material on Robertet, secretary to Charles XII. But the fact of the puzzle being about Leonardo, make this the most significant show about scholarly sleuthing yet. The scholar in question is Professor Martin Kemp, creator of the memorable Hayward Gallery show of 1989.

In 1898, two Madonnas with Yarnwinders were exhibited in the Burlington Fine Arts Society. One belonged – as it still does – to the Dukes of Buccleuch. The other was the property of Lord Battersea and now belongs to a New York collector. As is the way of these things, each has had adherents as well as detractors, even as recently as the last decade. Researchers beavering away in the archives and scientists using infra-red reflectography, have helped push the question forward.

Now, for the first time in almost a century, the two versions meet again. At a glance, it is clear that for all the obvious similarity, there are important differences. The New York version is brighter in colouring but, even to the layman's eye, more damaged. With its deep green-blue hue, the Buccleuch painting shows more clearly Leonardo's extraordinary "smokey" technique in the way the flesh is modelled. It carries a strong echo of the *Virgin of the Rocks*.

But most of all, the difference lies in entirely different backgrounds. In the New York painting, the Virgin and Child are seated in front of a dizzying view of ice-blue alpine ranges, reminding us of Leonardo's fascination with mountains.

The Buccleuch version sets the figures in front of a murky landscape with rocky outcrops and bushes which border a desolate, dead-calm sea – something found nowhere else in Leonardo's work.

If the varnish were not dirty and discoloured, the band of light at the horizon might be more eye-catching and point more clearly to the time-honoured description of the Virgin as stella maris, star of the sea. That said, it is hard to feel happy with the idea that anyone might fiddle about cleaning this calmly beautiful, melancholy painting.

As the prior Fra Pietro implied to the marchioness, there was much for a sophisticated Christian to ponder in this novel scene. On one level, Leonardo shows a young mother patiently restraining her lively son who is in the way of her spinning. Medieval society naturally viewed the Virgin as a busy working mother. But the cruciform yarnwinder represents the cross and the Virgin's solemn expression suggests prescience of the sacrifice which her son will one day eagerly embrace.

Many painters, notably Raphael, took up the idea of baby Jesus as an active little chap. No one, however, appears to have followed Leonardo's notion explored in one ofthe exhibition's drawings, of showing the Christ Child in the Virgin's arms, squeezing the life out of a cat. There was a legend that a cat gave birth at the same time as the Virgin, but Leonardo was motivated less by an interest in inventing subjects for their meaning, and far more for the formal opportunities they offered.

The version of Madonna of the Yarnwinder in the Duke of Buccleuch's collection

The drawings, from public and private collections, bring out well Leonardo's insatiable curiosity about the underlying structure of the natural world. How did a child's anatomy differ from a man's? (It is a macabre thought, but Leonardo was presumably not able to dissect infants as he did grown men.) Babies dimpled, he noted, exactly where grown men had bulges.

Among the sketches in the exhibition, we see a sheet covered in drawings of chubby limbs, together with studies of the Christ Child standing and walking, and of a child's head probably done to help members of the studio.

Contemporaries particularly admired Leonardo's brilliance at conveying emotion through movement. Furiously executed sketches show him working out ideas. A sketch from a private collection shows one of the artist's stranger inventions: Christ slipping off the Virgin's lap, who in turn rises from the lap of her mother, St Anne.

This drawing may help Leonardo scholars solve another mystery. It conforms exactly to another description by Fra Pietro, again writing to Isabella, this time about a cartoon. Could it be that the drawing is a fake, produced by someone who had read the prior's letter? Professor Kemp takes a more charitable view; that Leonardo went first, then someone with a clumsy touch went over the top of his outlines.

What then, of the "Mystery of the *Madonna of the Yarnwinder*"? Kemp's view is that both the Buccleuch and the New York paintings were mainly painted by Leonardo, but partly also by his assistants.

The Buccleuch painting is perhaps a decade earlier, and that is the one secured by Florimond Robertet. But the New York painting is emphatically no mere "copy".

Here is yet another exhibition which, like the Mantegna and the Rembrandt shows, aims to kick a hole through rigid ideas of Old Master authorship. From start to finish, the professor concludes, Leonardo had his hand in both these beautiful little Madonnas; happily for their owners, both are "fully acceptable as works by Leonardo".

Exhibition runs to 12 July. Sponsored by Martini Brut

Sviatoslav Richter

Andrew Clements

The pianist was scheduled to give two recitals in London's Festival Hall this week, as part of a British tour which is taking him to Oxford (where he was awarded an honorary doctorate), Harrogate, Birmingham, Cheltenham and Aldeburgh.

Sunday's programme of Bach and Brahms was cancelled at three hours' notice – the pianist was suffering from heat exhaustion. However, on Wednesday he did appear, playing to a darkened auditorium as he always does nowadays, his scores spread before him and illuminated by a single lamp.

Richter is 77; the stern, measured platform manner has not wavered. He has always been the most introspective of pianists, but, if anything, his playing appears to have become even more inward-looking and intimate over the years.

It is less concerned than ever with projecting grand dramatic schemes, much more focused on a minutely nuanced exploration of phrase structure and expressive meaning. If his sheer technical power seems fractionally more effortful than in the past, the range of colour, touch and articulation remains unequalled.

Haydn's F minor Andante con variazioni and Beethoven's Sonata Op. 110 made up the first half of Wednesday's programme.

The Haydn was presented at a lithe, moderate pace – for this most Schubertian of Haydn's works one had half expected Richter to settle into his most leisurely Schubertian mode. Each half of the main theme was coloured and flecked with glistening detail, the tiniest of rhythmic emphases, and there was never any doubt about the point and purpose of every single phrase.

The sonata offered countless points for contemplation, especially the weighty, deliberate tempo for the scherzo, certainly not the allegro molto of standard usage, yet chiming precisely with the pulsing accompaniment to the main theme of the following Adagio, and the extraordinary, unearthly progression, half muffled, half percussive, that marked the mid-point of the final fugue, in which every voice had its own colour, character and purpose.

After the interval, Richter started with Chopin's *Polonaise-Fantaisie* in a performance almost entirely purged of rhetoric, as if conceived for a handful of friends in a quiet *dacha*, its focus switched entirely from heroic gestures to the meditations of its lyrical core.

He then moved on through Skryabin to Debussy. The Skryabin performances (the two Mazurkas of Op. 40 and the *Poème-Nocturne* Op. 61) were astonishing acts of re-creation, poetic fantasies that hardly seemed to touch solid ground for a moment.

Debussy's *L'Isle joyeuse* was warmed into life with infinite patience, the edges of its rhythmic shapes gradually hardened, the colours moving from indistinct greys to bright primaries.

More Debussy was offered as an encore: "La cathédrale engloutie" from the first book of Préludes, a sequence of veiled perspectives, controlled with absolute precision.

No one plays Debussy's piano music like Richter; no one combines his musical insights with the complete technical command to realise them exactly. But then, no one plays most of the piano repertory as he does, with such love and supreme intelligence.

Donald Sinden and Susannah Harker

Venus Observed

Christopher Fry's play must have seemed pretty odd even in 1950,when first produced by Laurence Olivier, with Olivier in the key part of Hereward, the Duke of Altair.

On one level it is remarkably erudite: there are literary and classical allusions all over the place, as well as some science as the Duke surveys the stars and the planets from his observatory. At another level there are some very funny lines and marvellous opportunities for stage effects like the eclipse of the sun and the Duke's country house catching fire. There is a good plot to go with it.

Yet even in an age when verse drama was more fashionable than it is today, audiences may have been deterred by the occasional ramblings off into poetic monologues. The piece does not quite fit together.

And so it is at Chichester, where Donald Sinden has stepped comfortably into the role once played by Olivier. The Duke is an ageing seducer who brings back his lady friends to watch the eclipse with the intention of settling down with one of them for good. The trouble is that his son, Edgar, is cast in his father's mould. Both father and son fall for the unexpected guest Perpetua, who is the daughter of the embezzling estate manager, Reedbeck.

Sinden is a most accomplished seducer and an actor who delights in esoteric lines as much as the bawdy. On the first night he looked a bit nervous, as if wondering how such an extraordinary play would go down at the Chichester Festival. He need not have worried unduly. He was applauded on his first entry and *Venus Observed* has enough good things in it to make it succeed.

Chichester is an excellent place for it. The semi-circular stage reaches out into the audience and, with lighting all round, is just the setting for an eclipse. Curiously this is the one area where James Roose-Evans' production does not rise to the challenge. The eclipse is partial: the lights never quite go out. It would be much better if the audience and the cast could be given a frisson by temporary total darkness. On the other hand, the fire in the second act suggests the entire stage may be in danger of burning down.

There is a curiosity about the verse. Sometimes it is only barely detectable. It comes out most strongly in some of the lines spoken by Perpetua, played by Heather Stannard. Some of Sinden's speeches are also strikingly poetic. I find these changes of gear rather pleasing; others may think them confusing and even archaic.

Literary flourishes abound. The Duke tells Perpetua that she must try to use longer sentences. She then speaks what must be the longest sentence in the history of the English theatre, although there is a slightly questionable use of a colon in the middle. The audience is applauding her home as if egging on an athlete towards the end of a middle-distance race.

The primary influence on the play appears to be Shaw, perhaps because we have recently seen *Heartbreak House* revived at the Haymarket. There is a lot of Captain Shotover in the Duke of Altair. Fry also has Shaw's fascination with language and his ability to make sudden jokes like the lines about how to spell "epidemic" and how many children had the Roi du Soleil.

Again, as in Shaw, some of the characters are more developed than others. Apart from Sinden, outstanding here are Denis Quilley as the estate manager and Valerie Taylor as Rosabel, the old flame whom the Duke decides to settle for, once she has done her spell in prison for arson.

Malcolm Rutherford

Berlin Festival Fringe

With a wheelbarrow, a crutch and a bicycle, a new work by an obscure young director leaps on to a stage made of wooden crates and in 75 minutes knocks out its sedate festival audience. The unexpected hit of the Berlin Festival, *The End of the Workhouse* seems to announce in Andrej Woron and his Teatr Kreatur an exciting force in European theatre.

The play is a fragment of an Isaac Babel story about a group of Jews in post-revolutionary Odessa who eke out a living burying the dead in shrouds, with a single reusable coffin. When a revolutionary hero dies, the Russian boss orders him to be laid to rest in the coffin itself. Their livelihood gone, the Jews are expelled from the workhouse and starve.

But for Woron the story is a starting point for theatre as a return to myth. With barely a dozen phrases spoken – "To the cemetery!", "In Odessa!" – he sketches it as a montage in which the rituals of mime, dance, and music crystallise an image of eastern European Jewish life in 1917 and make it a symbol for timeless themes: survival versus mass destruction, the brutality of changing one kind of world for another, the powerless individual against the state.

It is history dramatised as a sort of beggar's opera for our times. To waltzes and folk-songs and jazz, marches and drumbeats, strident, yearning and joyful, Woron's troupe of puppet players live out ceremonies, revolutions, circuses, and funerals.

With faces exaggerated into grotesque masks, some bony and chalk-white, others smudged black, eyebrows and sockets mockingly enlarged, lips curved into jaunty triangles or open circles, they recall the expressionist visages of Dix or Beckmann.

A soldier on stilts acts as a tin model, bandy-legged, his paint worn off. A drunkard boozes from an hourglass, the bottle filling up rather than emptying as it reaches his mouth; he acquires four faces and spirals round under a carousel, challenging us to tell flesh from make-up.

Out of a ghostly stillness all explode into action at one stroke, clattering, stampeding, shrieking in flight; whispering hoarsely, flopping into a heap. They are automatons in voice and movement, their rhythm and tempo now speeded up to a frenzy, now wound down to slow motion. But the fearful, eager look in their eyes, directed always at us as they hardly react to each other, is almost unbearably moving, the more so as it is set off by Woron's cast of broken mechanical toys – an armless harlequin on a bicycle, a two-headed doll somersaulting in a pram – which his real actors do, yet do not, resemble.

In the final scene, the end of the workhouse, the curtains fall from the stage and it breaks into dozens of little boxes which each actor chases furiously before opening the lids and pulling out an effigy of himself as a corpse: "the dead live longer than the living". Not since the "happenings" of Woron's fellow Pole, the great director Tadeusz Kantor who died in 1990, have I experienced theatre at once so raw and emotional and yet so precisely disciplined, in execution and conception, into an artistically coherent whole.

It is the play Berlin has been waiting for; it now deserves an international tour.

Jackie Wullschläger

INTERNATIONAL ARTS GUIDE

Of all European festivals, Lucerne regularly attracts the most impressive line-up of major orchestras – and this summer's festival (August 15 until September 9) is no exception.

Highlights include the Berlin Philharmonic with Abbado, the St Petersburg Philharmonic with Temirkanov, the Dresden Staatskapelle with Sinopoli, the London Philharmonic with Tennstedt and the Royal Concertgebouw with Chailly.

***Giulini will give the opening* concert with the European Community Youth Orchestra. Anne-Sophie Mutter will play a new violin concerto by Wolfgang Rihm, Peter Maxwell Davies will conduct the *Scottish* Chamber Orchestra in a programme including two of his own works, and there will be recitals by Pollini and Carreras.**

There will *also be a series* of events devoted to Les Six – three of whom were born 100 years ago – including a staging of Poulenc's Les mamelles de Tirésias and performances of Honegger's Christoph Colomb and Jeanne d'Arc au Bûcher. Among the novelties introduced by *incoming festival director* Matthias Bamert are an improvisation concert and a street music competition.

The lake paddle steamers, mountain railways and Alpine views complete the picture (tel 41-235272 fax 237784).

The Henry Wood Proms at London's Royal Albert Hall open on July 17 and end on September 12. Andrew Davis opens the season with Verdi's Requiem, and also supervises the last night, in which Kiri te Kanawa will be the main soloist.

Christoph von Dohnanyi conducts the Cleveland *Orchestra in two concerts in* late July, and the Vienna Philharmonic will also give two programmes, one conducted by Abbado and the other a programme of 20th century masterworks conducted by Pierre Boulez.

Among the BBC commissions for the Proms will be new works by James Dillon, Simon Holt, John Casken, Richard Rodney *Bennett and Elena Firsova.*

Glyndebourne Festival Opera brings a semi-staged version of its new production of Tchaikovsky's The Queen of Spades, and John Tomlinson *will sing the title role in* a semi-staged version of Opera North's production of Boris Godunov (071-823 9998).

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Prints by *19th century Japanese artist* Yoshitoshi. Ends June 28. Masters from the Mesdag Collection. Ends Aug 19. Daily

Rijksmuseum The Influence of Japan on Dutch Art. Ends July 26. Closed Mon

BERLIN

Haus der Kulturen der Welt Civilisation of ancient Peru. Ends Aug 30. Closed Mon

Antikensammlung The Fame of the Pantheon: 100 engravings *and etchings of Rome's great* architectural monument. Ends Aug 16. Closed Fri

Schloss Charlottenburg Palace of the Gods: 1500 years of Indian art. Ends June 28. Closed Mon

BERNE

Kunstmuseum Picasso: Pink Period 1905-6. Ends July 26. Closed Mon

FLORENCE

Uffizi Florentine drawing at the time of Lorenzo the Magnificent, with works by Filippo Lippi, Leonardo, Michelangelo, Botticelli and other Renaissance artists. Ends July 26

Spedale degli Innocenti Architecture in Florence and Tuscany in the time of Lorenzo the Magnificent. Ends July 3

GENOA

Palazzo Reale and Palazzo Spinola di Pellicceria Genoese art of the Baroque age. Ends July 26

GRANADA

Alhambra Art of Islamic Spain. Ends June 7

LIVERPOOL

Tate Gallery Stanley Spencer: paintings and writings. Ends Jan 10. Closed Mon

LONDON

Barbican The Celebrated City: Treasures from the Collections of the City of London. Artists represented include Landseer, Holman Hunt, Millais and Rossetti, and there are 83 17th century Dutch paintings. The historical sections of the exhibition include early charters, manuscripts, views of London before and after the Great Fire. Themes such as the role of the *Lord Mayor, the relationship* between the City and the Sovereign, and the life of the City are also covered in this wide-ranging show. Ends July 19. Daily

Hayward Gallery Magritte: 150 paintings, collages, sculptures and surrealist objects by the Belgian artist now acknowledged as a central figure in 20th century art. Advance booking on 071-928 8800. Ends Aug 2. Daily

Tate Gallery William Blake (1757-1827): the apprentice years. Ends Aug 16. Also David Hockney: Seven Paintings. Ends July 26. Brice Marden (b New York 1938): leading contemporary painter-engraver. Ends June 21. Daily

Accademia Italiana Rediscovering Pompeii. Advance booking on 071-379 4444. Ends June 21. Daily

Royal Academy of Arts Alexander Calder (1898-1976): versatile and popular US artist. Advance booking on 071-287 9579. Ends June 7. Daily

Courtauld Institute Hogarth and Piranesi: engravings and *etchings by two great 18th* century printmakers. Ends June 7. Daily

Victoria and Albert Museum Sovereign: items belonging to the Royal Family which have never been seen in public. Ends Sep 13. Also 20th century costume jewellery by Chanel, Dior and others. Ends July 5. Daily

MADRID

Calcografia Nacional One *Hundred Years of Finnish* Graphic Art: 60 works by artists from 1897 to the present day, illustrating how Finland since Independence has been fertile territory for artists, architects and designers. Ends June 28. (Alcala 13)

Fundacion Juan March Alexej Jawlensky (1864-1941), Russian painter who was influenced by Matisse. Ends June 14. Daily

Centro de Arte Reina Sofia Marcel Broodthaers (1924-1976): 200 works and films by the Belgian artist. Ends June 28. Closed Tues

MARTIGNY

Fondation Pierre Gianadda From Goya to Matisse: 160 prints, showing the development of the art of etching from the late 18th century to the early 20th. Ends June 8. Daily

NEW YORK

Metropolitan Museum of Art Korean Ceramics from the Ataka *Collection*, the first time these outstanding glazed ceramics and porcelain celadons have been shown outside Japan. Ends July 12. Also Andrea Mantegna. Ends July 12. William Harnett, *late 19th century American* master of still-life painting. Ends June 14. Royal Art of Benin. Ends Sep 13. Closed Mon

Frick Collection An Album of 19th century Interiors: watercolours from two private collections. Ends Aug 23

Museum of Modern Art Antoni Taples (b1923): prints and illustrated books by the Catalan artist. Ends Aug 9. Closed Wed

Brooklyn Museum Piranesi's *Prisons: first edition prints from* the museum's permanent collection of work by the 18th century Italian artist. Ends July 26. Closed Mon and Tues

Jewish Museum African Americans and American Jews. Ends July 19

Whitney Museum of American Art Richard Prince (b1949), controversial artist who originated re-photography. Ends July 12. Closed Mon

PARIS

Galerie Schmit French Masters of the 19th and 20th centuries. Ends July 16. Closed Sun (396 rue Saint Honoré)

Grand Palais The Vikings. Ends July 12. Toulouse-Lautrec. Ends June 1. Closed Tues, late opening Wed (ave du General Eisenhower)

Musée d'Art Moderne Sima (1891-1971): 200 works by the Czech painter. Ends June 21. Closed Mon, late closing on Wed (11 ave President Wilson)

Galerie Didier Imbert Henry Moore Intime. Ends July 24. Closed Sun (19 ave Matignon)

Musée D'Orsay Guimard (1867-1942), art nouveau *designer. Ends July 26. Closed* Mon

Louvre Clodion (1738-1814), French sculptor. Ends June 29. Closed Tues (Hall Napoleon)

VIENNA

Albertina The Eloquence of the Body: a thematic guide to the body in art. Ends July 7. Daily

Schlosshof im Marchfeld The Baroque View of America in Hapsburg Lands. Ends Sep 13. Daily

Naturhistorisches Museum The Bear Facts: a history of the teddy bear, with copious examples from Viennese private collections, plus the bear in modern art, with works by Peter Angermann, Arnulf Rainer and others. Ends Oct 26. Closed Tues

WASHINGTON

National Gallery of Art Art of the American Indian Frontier. Ends Jan 24. Dürer to Diebenkorn: 114 recent graphic art acquisitions. Also Käthe Kollwitz (1867-1945). Ends Aug 16. Ernst Ludwig Kirchner, German expressionist painter. Ends Aug 16. Jacques Callot: etchings and engravings by the early 17th century French printmaker. Ends Sep 7. Daily

National Air and Space Museum Star Trek Retrospective: props, costumes, models, photos and other Trekkie memorabilia. Ends Sep 7. Daily

FINANCIAL TIMES

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Friday May 29 1992

How to revive a dead canary

THE insolvency of Canary Wharf raises two possible prospects. One involves cancelling a proposed underground rail link to central London, thus adding to the pressures on tenants already dismayed by the collapse to invoke escape clauses in their leases and so being left to watch as Europe's biggest office development, already half empty and worth half as much as the debt carried in its name, becomes a marbled haunt for bats and river rodents.

The second is that those with a direct interest in avoiding this outcome – namely the banks which effectively own Canary Wharf and the government – do something to stop it.

So far, the government has reasoned that the banks will see that if they are to avoid adding to their losses they must stump up the cash the original developer, Olympia & York, promised to co-finance the Jubilee Line link. Mr Major was firm again yesterday that he has no intention of bailing out Canary Wharf.

The government is right to drive a hard bargain; the banks are exposed not only to Canary Wharf but to numerous other projects in east London. They cannot expect to avoid paying a heavy price for their commercial misjudgments.

But the bargaining cannot end there. The upgrading of east London's transport infrastructure is crucial to the future of the only substantial part of greater London capable of absorbing more people and buildings, not to mention its position at the fulcrum of the proposed Channel Tunnel link. A very large amount of public funding has already been committed to Docklands, much of it in a belated dash to address the area's chronic transport problems.

If it is true that the Thatcher government's biggest mistake in Docklands was its failure to provide an adequate transport system, it hardly makes sense to deny proper transport now that the area is heavily developed. The government should declare swiftly and firmly that it is negotiating with the administrator to ensure that it gets the best terms possible for moving its civil servants to Canary Wharf and for co-financing the new railway.

There is also the wider question of the government's credibility. Its urban development corporations, using public funding to attract private sector investment, have mostly been a success. So much so, that Mr Peter Walker, the former Welsh Secretary with whom some of those successes are associated, is about to become head of a new urban regeneration agency. If the government proves too hard-nosed over Canary Wharf, it will hardly be seen as a reliable partner in future projects.

The key to Mr Walker's Welsh achievement was his ability to combine mixed funding and a constructive relationship with (mainly Labour-controlled) local authorities. Most of the problems of Docklands stem from the failure in London's more turbulent political atmosphere to achieve a similar unity of purpose. The City of London, the east London boroughs and the government have, literally, played beggar my neighbour.

Canary Wharf may never become a global financial centre. But there is no reason why it cannot be nursed towards playing a useful part in the economic rehabilitation of east London. Mr Major has set up a Cabinet Committee to co-ordinate London's woefully strategy-less development. It is time Londoners heard from it.

Swiss movement

AFTER YEARS of dithering, the Swiss have reached a moment of decision. Last week's referendum, in which they decided to join the IMF and the World Bank, confirms earlier hints of withdrawal from dogmatic neutrality. The government's move to apply for membership of the EC, together with the scheduling of two referendums later this year on joining the European Economic Area, has clearly posed the European question.

From the EC's viewpoint, Swiss membership in both bodies is welcome. Exporters of goods and services to Switzerland would benefit from the removal of mechanisms which still protect 70 per cent of Swiss internal trade from market forces. Politically, Britain in particular would find Switzerland a valuable ally, sharing its concern about the EC's bureaucratic and centralising tendencies. And the Community as a whole would benefit from Swiss administrative and diplomatic competence.

From the Swiss viewpoint, closer links with the EC would improve the economic outlook at a time when the special circumstances which led to Switzerland's postwar industrial and financial success have disappeared.

Contrary to some perceptions, the Swiss have never been isolationist. But they risk being isolated in the future unless they move closer to the EC. The young are suffering from being unable to work and study freely in other European countries. By joining the EEA, the Swiss would assure themselves a place inside the world's largest trading bloc.

There are heavy costs, notably a commitment to invest a colossal SFr30bn or so over the next 20 years to build two new rail tunnels through the Alps. Yet the Swiss have much more to gain than to lose from EEA membership.

The question of joining the EC is more difficult. The Swiss confederation is a relatively weak alliance of four linguistic groups, which do not obviously have much more in common than a currency, a railway and a postal service. It has been held together by a light and decentralised structure of government, and by the tradition of referring most decisions to the people. If it joined the EC, regional and linguistic alliances could become stronger than the national one, and the frail glue that holds the confederation together could weaken further.

Perhaps that would not matter, if the Swiss succeeded in communicating the secret of their improbable cohesion to a wider Europe, of which they are already the geographical heart and linguistic microcosm.

Damp strike

YESTERDAY'S DAMP squib of a general strike in Spain marked a victory for the efforts of Mr Felipe Gonzalez, the prime minister, to steer his country down the road of EC convergence. However, the toughest part of Spain's bid to prepare for economic and monetary union is still to come. The drive to bring Spain's economy more into line with the performance of its European partners represents a threefold challenge. It will test Mr Gonzalez's ability to govern up to and beyond the next general election, due to take place no later than October 1993. It will test Spain's ability to compete successfully with the rest of the industrialised world. And it will test the Community's ability to sustain a political consensus in favour of the strict Emu disciplines imposed under the Maastricht treaty.

On the first point, Mr Gonzalez's achievement in standing up to union opposition must improve his chances of going to the polls as Spain's unscathed Don Convergencia.

The latter two tasks will be more difficult. The challenges have been increased by slower growth in western Europe, now weathering a period of economic doldrums comparable only with the 1981-82 recession. Spain, in common with other EC countries, has tailored its medium-term economic strategy to the goal of meeting – if not bettering – the Maastricht economic convergence objectives.

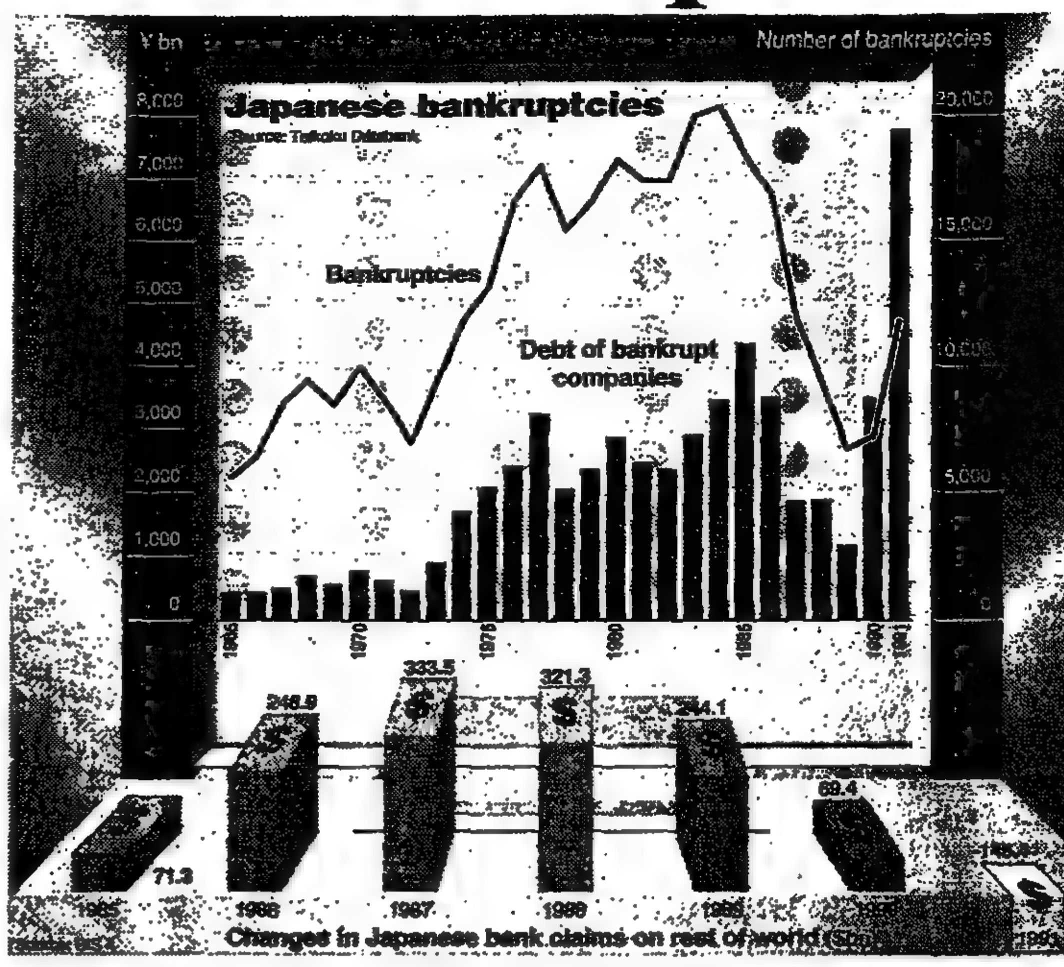
Yet the strictness of the targets seems likely to limit the opportunities for a resumption of higher EC growth by the mid-1990s. Without this faster expansion, Community members will face great problems in generating the extra fiscal revenues needed to satisfy the Emu requirement of bringing their budgets into better balance. The EC must be alive to the risk that the Maastricht route could turn into a vicious circle.

Spain's general government budget deficit is still stuck at more than 4 per cent of gross domestic product, against the Maastricht target of 3 per cent. Lowering this fiscal imbalance by cutting public subsidies and reducing unemployment benefits forms the centrepiece of Mr Gonzalez's convergence plan. Spain arguably has a better chance of meeting the Maastricht targets than Italy, warned by the EC last week in the stiffest terms to bring its budget policies on track for Emu.

To soften the impact of planned fiscal austerity, Madrid is placing great store on the Maastricht pledge for the northern states to provide southern EC members with "cohesion" funds to ease the strictures of Emu. Germany, whose generosity as the EC's principal paymaster has been necessarily reduced by reunification, is however making clear that cutting its own budget deficit must take priority over channelling largesse southwards. Mr Gonzalez may have parried yesterday's thrust from the union leaders. He still has to grapple with Chancellor Helmut Kohl.

The Japanese banking system is under strain from doubtful property loans and a sliding stock market, says **Peter Martin**

Ghosts of the decade past



In Japan we have a saying that if you keep talking about ghosts in a dark room, the ghosts get bigger and bigger and more fearsome." That, says Mr Yoshimasa Nishimura, deputy head of the banking bureau of Japan's Ministry of Finance, is just the way foreigners are scaring themselves about the health of the Japanese banks.

His former colleague Mr Toyoo Gyohten, now at the Bank of Tokyo, is even more emphatic: "There is absolutely no concern about a systemic problem of the banking industry here," he says.

Not everyone shares his view. Japanese bank shares have lost nearly 40 per cent of their value since the beginning of the year, in anticipation of the falling profits and rising bad-debt provisions which the top 11 commercial banks reported yesterday. Western bankers have been asking their Tokyo offices for urgent reassessments of the credit status of the Japanese banks with which they do business. Do they know something about ghosts that the ministry does not?

For part of the answer, talk to Mr Tatsunari Ushimaru of Teikoku Databank, a Japanese credit-data service. As Japan's economy has slowed over the past year, bankruptcies have risen, he says, but the debts of the average bankrupt company have risen far faster, threefold in three years.

Mr Ushimaru calls these "bubble bankruptcies", after the surge in asset values that drove Tokyo land and share prices to unsustainable heights in the late 1980s. Shares have since halved and property values have dropped by a third – and speculators are paying the price. So are their banks.

The Ministry of Finance says the 21 big Japanese banks have non-performing loans worth perhaps Y7,000-Y8,000bn, some 2-2½ per cent of total assets of Y350,000bn. Bankers in Tokyo estimate that loans worth Y56,000bn may eventually run into problems; some economic analysts put the figures higher still. Even if loans turn sour, however, most of the money lent may be recoverable in time. The question for the banks is how much – and how long it will take.

A Bank of Japan official says the bad debt problem is "serious but not lethal"; Mr Makoto Utsumi, special adviser to the finance minister, talks of "a few years in a very hot tub" for the banks.

The exact temperature of the water is still unclear. Japanese banks recognise loans as non-performing only when no interest has been paid for six months. The close ties between lender and borrower often lead the banks to cut interest rates for a troubled debtor – a concession that keeps the loan out of the non-performing category. Bad-debt provisions are thus traditionally low: yesterday, the 11 big commercial banks announced a fivefold rise in provisions, but the combined figure was still only Y344bn.

One feature of the bubble years adds to the lack of clarity. The banks lent Y80,000bn to non-bank finance companies, which then lent much of the money on to property developers. "When non-banks borrowed from a bank they would not have to put up collateral," says Mr Tokio Inoue, senior managing director of Dai-Ichi Kangyo Bank, "but the bank would want to see that they had adequate collateral for their own lending. Major banks typically lend up to 70 per cent of the value of collateral, but in recent years non-banks made loans of 100 per cent of the value of real estate."

This means, he says, that the proportion of money recoverable is lower than before, "but time will solve the problem". His confidence is shared. Mr Kazuhiko Kasai, senior managing director of Fuji Bank, says: "Even at the current market price our troubled loans are fully covered by collateral."

Up to a point. There is no real secondary market for buildings in Japan, so the market price is an estimate rather than one derived from actual transactions; it may not be very accurate at the moment.

Still, as Japanese bankers point out, there are very few "transparent" (unlet) buildings in Tokyo. "We don't have as serious a situation in the real estate market as in the City of London, New York, or Melbourne," says Mr Yoh Kurosawa, president of the Industrial Bank of Japan. "The problem will be over in one to two years."

Bad loans are only one of the banks' problems, however. Just as important is the way the sliding stock market affects the capital adequacy standards of the Bank for International Settlements, which are due to take effect next year. These standards require international banks to have capital equivalent to 8 per cent of assets. Half that capital must be "tier 1", shareholders' equity; the other half is "tier 2", such as subordinated debt.

Ten years ago, when the capital standard was first proposed, Japanese banks had tier 1 ratios of about 2½ per cent. They had one advantage, however: they could count 45 per cent of unrealised gains on their equity portfolios as tier 2 capital. As stocks soared in the late 1980s, the banks' share portfolios soared in value, boosting tier 2 capital; and they were able to issue large amounts of equity, boosting tier 1.

Now that process has gone into reverse, as the stock market has fallen. Unrealised gains for the 21 big banks have dropped by two-thirds, to Y17,000bn in March 1992; and the window for raising equity has slammed shut. Achieving BIS standards next March depends critically on the stock market. With the Nikkei below 17,000 – as it was in April – many big Japanese banks would not meet the new standard. Above 18,000, the level seen for much of May, most of them do. Yesterday, the Nikkei closed at 17,931.26.

What if the stock market falls again? One fear, heard in Europe or the US rather than in Tokyo, is of a downward spiral: to shore up capital, banks liquidate part of their equity portfolios, but that pushes the market down further, forcing the banks into more share sales, leading to a further market decline, and so on down to disaster.

The big banks did sell some of their share portfolios in March, says the Bank of Japan. But a full-scale liquidation is unlikely. Those equity shareholdings represent important links in the web of cross-holdings characterising Japanese industry.

"We have 1 per cent of Japan Inc in our portfolio, says Mr Reese Harasawa of Mitsubishi Bank. "I don't think we'll be changing that." Sales of the banks' core equity holdings would totally change banking relationships, he says. The bank has tried to find shares to sell, such as those of unprofitable customers. "To our regret, the number of shares we could identify in this category was very small."

Dai-Ichi Kangyo Bank's Mr Inoue cites other possible changes. For example, when a Japanese bank makes a loan, the borrower must usually re-deposit a chunk of the money with the bank. Such "compensating balances" make up 10-20 per cent of the big banks' total deposits, he says. Eliminating these and the corresponding borrowing would lower the banks' assets and stretch capital further. "I hope we do not have to do this," says Mr Inoue, "because it might jeopardise customer relationships. But it may be a final resort."

By such means, the banks are likely to squeak by the BIS ratios next March even if the stock market weakens again. More generally, the Ministry of Finance has guided the Japanese banking system so skilfully over the years that it must be given the benefit of the doubt. No Japanese bank, large or small, has failed since the 1930s.

None the less, the Japanese financial system is undergoing profound changes. Some, under way in the mid-1980s but muffled by the bubble years, are reasserting themselves.

One is a tug of war over the banks' profitability. As Japanese interest rates are deregulated, the banks' cost of funds is rising; at the same time, they will have to write off some of their 1980s lending. Both these will reduce profitability. There are also forces pulling in the other direction, however. Because the rates at which banks lend have been deregulated before those they pay to retail depositors, they have been able to widen margins sharply as the overall level of interest rates has fallen in the past year.

In the short run, underlying profitability is rising – yesterday the 11 biggest banks reported that "net business profits", a measure of lending profitability, rose 32 per cent last year. In the long run, the banks, like other Japanese industries, are likely to place greater emphasis on profit, less on volume.

This change stems in part from the second trend at work: a sharply higher cost of capital for all Japanese businesses, not just the banks. In the 1980s, as soaring share prices allowed companies to issue large amounts of stock, Japanese firms' cost of equity was about 4 percentage points points lower than in the US, says a study by J P Morgan; now it is 1 percentage point higher.

At the same time, banks must cope with the difficulties of slower growth. In the late 1980s, Japanese bank assets grew at more than 12 per cent a year in real terms. No other group of banks achieved even half that growth rate; British banks grew at at 3½ per cent, US banks at less than 2 per cent. Last year Japanese banks' lending grew by only a nominal 2.9 per cent; at Sakura Bank, loans actually fell.

The strains in the Japanese banking system have big implications for the rest of the world. Japanese banks have been cutting back sharply on low-yielding assets, especially overseas interbank lending. This has not represented a net drain of capital to the world, however, because Japanese banks have run down their overseas liabilities even faster than their foreign assets.

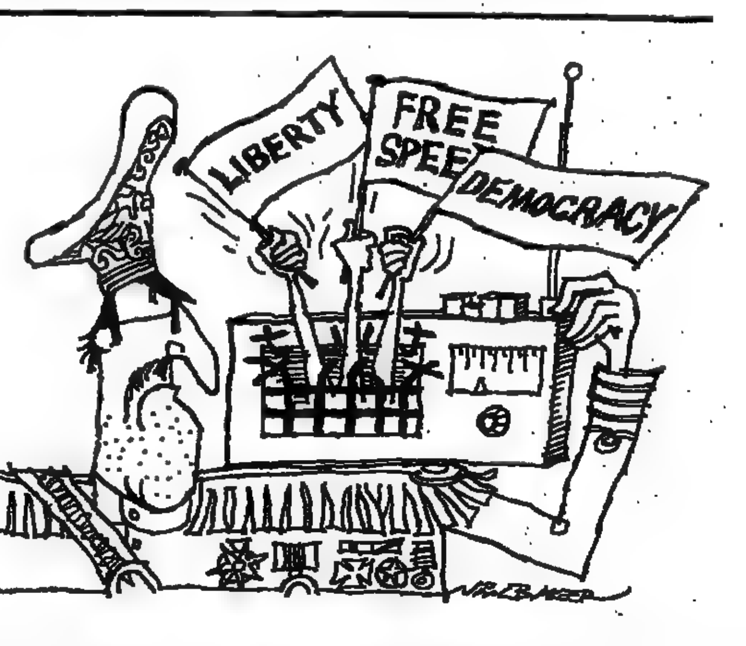
As the Japanese pull back, there has been a marked impact on competition in international banking markets, where margins are widening across the board.

This may be a lasting trend. Japanese banks clearly believe they were too ambitious in their international activities in the late 1980s. Mr Nishimura, of the finance ministry, says: "Judging from results, probably the international activities of Japanese banks were above the capabilities they had at that time." And Mr Ken-ichi Suematsu, president of Sakura Bank, one of Japan's biggest, goes further: "Most if not all of Japanese banks' international activities, I feel, were a failure."

"Japanese banks lacked due caution in doing business. They tried to get involved in lending to big international projects without paying due attention to profitability and local practices." In ways like these, Japanese bank managers will have to live with the ghosts of the 1980s for years to come.

Joe Rogaly

Freedom's radio days are not yet over



We will never know whether the entire explanation for the collapse of communism lies in its own internal grotesqueries, or whether some assistance, or at least a gentle nudge, was given by broadcasts from the west. Was it the food and consumer goods shortages alone, or were the words transmitted across the iron curtain by the BBC World Service, the Voice of America, Radio Free Europe and Radio Liberty really effective? There can be no precise answer, but most people believe that the wireless facilitated the liberation of eastern Europe and the former Soviet Union. Britain's Mr David Howell, once energy and then transport secretary under Mrs Thatcher and latterly chairman of the parliamentary select committee on foreign affairs, argued some years ago that the spread of world communications would do irreparable damage to totalitarian regimes.

In this he predated Mr Francis Fukuyama, whose celebrated book, The End of History and the Last Man, suggests that the ideological struggle has come to an end – that, as the author would put it, liberal democracy remains the only coherent political aspiration that spans different regions and cultures across the globe. On a bad day, if you have your guard down, it is not difficult to persuade yourself to fall for this hokum. One speaker at the recent conference of the International Press Institute described how Japanese technicians are working on "down-sizing" satellite TV receiver dishes. They are currently around 600mm wide, so you must nail them to an outside wall. The Japanese aim is a diameter of 50mm by the end of the century. Then tiny clandestine TVs could enhance the further spread of western ideas; eventually everyone would live in a pluralist democracy and shop at a Safeway. It is a comfortable materialistic fantasy, but the truth is that proponents of liberal democracy can never rest. The battle is not over.

I was reminded of this in Budapest last week. The Hungarian prime minister, Dr József Antall, had attempted to sack the heads of the state radio and television administrations. The state president, an unassuming intellectual called Árpád Göncz, refused to sign

The spread of 'BBC standards' across eastern Europe and the former Soviet Union has yet to be achieved

the dismissal documents. Mr John Major met both of them yesterday; the hope must be that if the subject came up he reinforced the view of the president that democracy would be jeopardised by the dismissals. What Hungary needed, we were told by Mr Göncz when I was there, was "BBC standards".

Anecdotes of this kind are capped dozens of times over in two volumes published by Broadside Books, London, yesterday to mark the 60th anniversary of the BBC World Service. The first, A World in Your Ear, by John Tusa, managing director of the World Service, is a happy collection of letters, essays and diary extracts; the second, A Skyful of Freedom, by Andrew Walker, is an illustrated popular history. Both are inevitably flavoured with corporate self-congratulation, but this is excusable. The World Service has much to congratulate itself about.

As one example, Mr Tusa reprints a letter from Romanian Moldavia, received in February 1990: "I have persistently listened to your broadcasts, many times hidden under a blanket in my monastic cell ... I am convinced you made an important contribution to what we Romanians are experiencing today." Another, recalled by Mr Walker, is the tale of how news from Mr Boris Yeltsin's revolutionary "white house" during the attempted coup of 1991 was relayed through the BBC Moscow office. Listening in during his confinement was Mr Mikhail Gorbachev. The BBC's reports, he said afterwards, had been the most reliable; to his way of thinking they had confirmed that the whole action was doomed to failure.

The BBC's reputation for objectivity has been hard-earned. Its power derives from its refusal to propagandise. There is no need to be carried away by this. I broadcast regularly on the overseas service during the 1960s and, while I was never censored or instructed, the producers were often ready with a "could you perhaps put that another way?" – always, of course, in the interest of balance. Bush House, headquarters of the service, is not inhabited by saints or political eunuchs.

The more hard-edged American services lack the BBC's brand name, but they have been powerful in their own way. The Voice of America is forever condemned to be regarded as a weapon of the Cold War. It was founded in 1942, as a counter to Nazi propaganda; it turned to its anti-red crusade later, as an arm of the US Information Agency. Radio Free Europe and Radio Liberty began as CIA operations, but for many years they have tried to win reputations for presenting the truth. Their journalists are certainly less politically tainted than some of those who work on Britain's popular papers.

Like the BBC, Radio Liberty had its own correspondents inside Mr Yeltsin's white house; its broadcasts in 12 Soviet languages were used by Mr Yeltsin as a means of circumventing the official media during the coup. Such investments have paid dividends. Most ex-communist countries now permit the BBC and the American voices to relay news directly to their domestic listeners. Their news-gatherers operate locally.

You might think that since the Cold War is over there is no reason for British and American taxpayers to continue to finance such outfits. Not so. For what we get the money is peanuts, but that is beside the point. There are two important jobs yet to do. The first is to protect the governments of the newly liberated countries from succumbing to the temptation to bully their broadcasters, just as the communists did. The spread of "BBC standards" across eastern Europe and the countries of the former Soviet Union has yet to be achieved. It is hard to emerge from 40 years of darkness with an understanding that democracy means learning to live with the accusations of your political opponents.

The second job for the freedom broadcasters is to work in those vast areas of the globe that have not yet behaved according to the suppositions of Mr Fukuyama. The people of the Middle East, much of Africa and all of China are in need of objective information about what is happening inside their countries. A US federal commission has been considering the establishment of a "Radio Free Asia"; it is said that President Bush is opposed, on the ground that it would upset the government of China. This is perverse. The purpose of factual broadcasts in Chinese, by Chinese speakers, should be to upset the government of China. I hope the BBC maintains its traditions in its daily 45 minutes of Cantonese and 3¼ hours of Mandarin, broadcast from Hong Kong. Someone has to give the Beijing regime a nudge.

France accelerates into the overtaking lane

Andrew Adonis and **William Dawkins** examine evidence that London is falling further behind Paris in its transport connections

Londoners spend longer commuting further in more late-running, overcrowded trains and buses than their Parisian counterparts, and their relative plight looks set to worsen during the 1990s. Even Paris's notoriously congested motorway system is to be improved by a network of privately financed motorways, while "no change" is the name of the game for London.

Only in buses – where both capitals are progressively privatising their routes – are the two cities on the same road, to evident advantage.

Those are the findings of a report* comparing transport in the two cities, to be issued next month. It is the joint work of the London Research Centre, an independent think tank, and Iaurif, planning institute for the Ile-de-France regional council, which embraces Paris. Their conclusion, that London is the poor relation in urban transport, has been reinforced this week by the insolvency of Canary Wharf, the business development in London's Docklands to whose success inadequate rail links were a significant impediment.

In both Paris and London, commuting is the grim lot of a similar share of the workforce. The proportion of journeys to work made by public transport is higher in Paris (43 against 37 per cent). But London's more dispersed residential geography means that its commuters typically travel about a tenth again as far their Parisian counterparts – offsetting the relative advantage of London's more far-reaching Underground and suburban Network SouthEast systems.

Besides that, the honours are with Paris. Its central area rail network is now far superior to London's: within a comparable central zone the Métro runs across almost twice as many kilometres as the Underground, and the average distance between its stations is half that in London. La Défense, Paris's edge-of-centre business district, has fast suburban-line connections and gained a Métro link last month. Docklands, its London equivalent, has a sub-standard railway. An Underground link, through an extended Jubilee line, has been jeopardised by the failure of Canary Wharf.

Paris also benefits from more express cross-city rail routes: it has three through lines, with a fourth partially built and a fifth projected. Thameslink, London's sole equivalent, is infrequent – especially in peak hours, because of capacity constraints. Another (crossrail) is planned, but work has yet to start. Forty years after it opened, Heathrow airport still lacks a fast rail link to the city: a British Rail/British Airports Authority consortium has permission to build one, but is strapped for cash and looking for other partners.

It is not just on routes, but on overcrowding, punctuality and frequency, that London scores poorly. Three facts suffice. Almost a third of the Underground's network is judged overcrowded in the central zone, compared with 5 per cent in Paris; 94 per cent of Paris peak hour suburban services arrived within five minutes of schedule in 1989-90, compared with 83 per cent in London; central-zone Métro frequencies in Paris range from 1.5 to 4 minutes in peak hours – in London the range is 2.5 to 8 minutes.

"These differences are crucial," says Mr Caralampo Focas, editor of the joint study. "While journey times are not much different, people have to allow far more time to travel by public transport in London."

Behind such contrasts lie crucial differences in investment and organisation. It is not just government largesse: business pays a share of the cost of Paris's public transport and the RATP city transport authority raises capital on the bond markets.

Bus and train fares in Paris are only half those in London, and revenue from passengers and commercial activities accounts for less than half the spending of Paris's two main public transport providers – RATP and the SNCF state railways. About half of the rest comes from a payroll tax on enterprises with more than 10 employees, levied at a rate of 2.2 per cent in Paris city and half that in the suburbs. Companies are also obliged to reimburse half the cost of employees' season tickets. By contrast, London's business makes no contribution to transport spending beyond one-off levies in exchange for development consents.

'There is a national concern in France to make the Paris transport system shine'

Paris is planning similar levies to fund expansion of its roads system for the region. The Ile-de-France region is about to finalise a 25-year development plan for the capital which envisages a fourth ring road and at least five underground motorways which charge tolls. The idea is to copy in Paris the system of toll motorways crossing the rest of France and to keep the cost to the taxpayer down. In London, by contrast, there are few development plans for roads.

"There is a national concern in France to make the Paris transport system shine," says Mr Focas. "It is seen as a facilitator to development, while terms such as 'making London into a great city' don't appear anywhere."

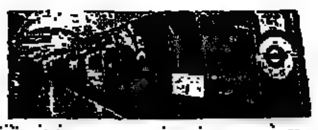
The different government structures in the two capitals also help explain their divergent paths. Central government is the principal player in both cities: their main transport providers are nationalised industries with remits set by ministers. In Paris, though, the powerful City government and the Ile-de-France region – neither with a London equivalent – are powerful lobbyists for the city's transport needs. They also put money behind their dreams, footing a large part of the bill for capital spending.

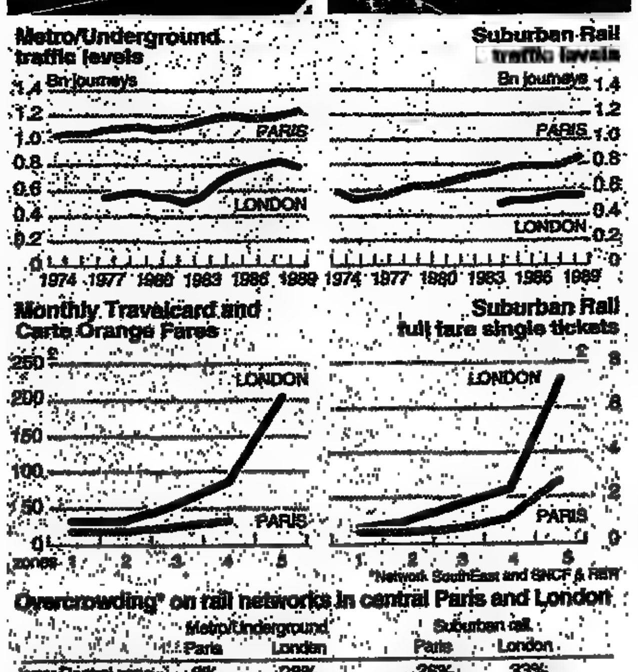
More than a third of the region's 1991 budget of FFr10.6bn (£1.06bn) was devoted to transport. The city government spends about FFr2bn on transport, including roads, parking and a contribution to the RATP. The city has equal representation with the state on the Syndicat des Transports Parisiens (STP), the body responsible for public transport planning in the capital.

The contrast with London is stark. As the report puts it: "Overall and comprehensive planning of transport has been abandoned and the operation of the transport system has been increasingly dismembered among private developers, boroughs and counties, different government departments, nationalised industries and quangos." The result? In London, the past 25 years has seen the construction of 33km of new Underground/suburban track and 250km of new motorway; in the same period Paris has brought 187km of new track and 500km of motorway into service. As to London's long-term plans – there are none.

There is a neat symmetry to all this. In the 1950s and 1960s Parisian planners looked to London, its Tubes, red buses and city-wide council, for inspiration. Now the wheel has come full circle, with Paris the model to be followed. Perhaps understanding will be facilitated by the opening of the Channel tunnel link – albeit delayed, and with no fast link to London.

** Available from HMSO, £23.99. This is the second in a series on planning and public services in Paris and London. The first appeared on February 12.*





Overcrowding* on rail networks in central Paris and London

	Metro/Underground Paris	Metro/Underground London	Suburban rail Paris	Suburban rail London
Inner Central zone	6%	28%	26%	33%
Outer Central zone	2.7%	34%	72%	14%

*For the Métro, SNCF and RER: more than 4 persons standing per square metre; For the Underground: more than one person standing for every person seated; For Network SouthEast: more than 20 minutes, more than 35 persons standing for every 100 seated on sliding-door rolling stock or more than 10 persons standing for every 100 seated on slam-door stock. Source: LRC

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Kosovo's autonomy must be restored

From Sir Russell Johnston MP.

Sir, As sanctions are imposed on Serbia and as the possibility of using aerial and naval blockades to restrain Serbian aggression in Bosnia Hercegovina and Croatia is seriously considered, in my view not before time, the EC ministers must give serious attention to the situation in Kosovo.

I have just returned from observing Sunday's unofficial elections there and can confirm your correspondent Laura Silber's report, "Kosovo elections raise risk of conflict" (May 26). The position in that province, which had full autonomy within the former Yugoslav federation, is that of a people under occupation. Police are everywhere and, even in the short time I was there – a day and a half – I was questioned once by the roadside and on another occasion taken to a police station for three-quarters of an hour. Most of the police are young, about 20, appearing at once aggressive and insecure and all armed with Kalashnikovs.

While the policy of the Albanians, led by Dr Rugova, has been to seek to avoid both confrontation and violence, how long this can hold in the face of continued harassment, the closure of educational establishments (there has been no Albanian secondary education for over a year and Albanians have been sacked from the university, this in a province which is 90 per cent Albanian and only 8 per cent Serb) and the erosion of job opportunities, is hard to forecast. At any time things could snap, and given that the Serbians have all the military power and have shown a capacity to use it, unhesitatingly and ruthlessly, the outcome could be horrendous.

Throughout the break-up of Yugoslavia the EC approach has been misplaced, first believing that Yugoslavia could, even ought, to be held together and then attempting even-handedness between Serbia and Croatia, in the face of the evidence of Vukovar, Osijek and Dubrovnik.

Now that the approach is more realistic, the problem of what to do about Kosovo cannot be avoided. It is not simply that Kosovo would be made to suffer disproportionately if sanctions bite, it is the fact that, so far, the EC has only reacted to displays of force. The Albanian community in Kosovo has avoided force, so it has had little attention paid to it by the EC and relatively little media attention. If this peaceful approach is ignored much longer, it cannot hold and we would share responsibility for the outcome.

The EC should now make it unequivocally clear to Milosevic that the general resolution of the problems in what was Yugoslavia, which must come at some stage, has to include provision for the restoration of autonomy to Kosova.

It should be guaranteed an internationally organised plebiscite on its future, similar to what was done in the Saar.

Russell Johnston,
(Liberal Democrat spokesman on Europe),
House of Commons,
London SW1A 0AA

Views of balance of payments trend in UK too relaxed

From Mr Nicholas Knight.

Sir, The relaxed attitude displayed by most to the deteriorating trend in the UK's current account deficit is very worrying. Lex (May 27) was certainly helpful, therefore, in that it drew attention to the damage that even a weak recovery is already doing. To suggest, however, that this "does not matter in the short term because foreign money is flowing abundantly into post-election Britain" is little more than a statement of historical fact, and to suggest in the next sentence that the estimate for invisible earnings may have to rise is perverse in the extreme – foreign inflows will, of course, increase the outflow of interest and dividends.

Current account deficits are by definition balanced by capital inflow – all that is in question is the price demanded through higher interest rates or currency depreciation. In this sense the UK still has plenty of "independent" control over monetary policy – interest rates can still be put up after all.

Whether, when the time comes, the UK authorities will have the nerve to do this before the market demands it of them remains a moot point.

Nicholas Knight,
equity strategist,
Nomura Research Institute – Europe,
Nomura House,
1 St Martin's-le-Grand,
London EC1A 4NP

Insights into investment performance of pensions

From Mr Mike Brown.

Sir, Mr Lee Mallett (Letters, May 19) complained that he found it difficult to obtain details of the investment performance of pension funds and, if such performance were more widely reported, then he would find it easier to pick the fund of his choice.

In fact there is one pension fund whose investment performance he is already entitled to know about and that is the fund of which he is a member or a prospective member. The Social Security Act of 1985 requires the trustees to produce an annual report giving information about, among other things, the investment performance of their fund.

It is quite true that he is not entitled to similar information about the funds of other employers but neither is he entitled to join the fund of any other employer. There are good reasons why employers should be given every encouragement to provide good pensions for their own employees. It is hard to think of a single reason why they should be forced to provide pensions for the employees of their competitors.

Mike Brown,
director of information services,
National Association of Pension Funds,
12-18 Grosvenor Gardens,
London SW1W 0DH

Reality of pound/franc merger in EMS

From Lord Cobbold.

Sir, Picking up Anthony Harris's reference to my suggestion for a pound/franc merger within the EMS ("When gentlemen prefer bonds", May 26) the immediate question is whether the pound and franc together would be better able than individually to break below the Deutsche mark interest rate barrier.

The weighting of the D-Mark in the Ecu is 30.36 per cent. The weighting of the pound/franc would be 12.60 + 19.32 = 31.92 per cent. A window of opportunity has been reopened by the recent strength of the pound – up 2.5 per cent against the franc since the election and only 1.5 per cent away from the magic figure of 10 francs to the pound.

All that would initially be required is a declaration of intent from the two governments and a 1.1 per cent adjustment of the pound's central rates within the EMS parity grid (from 9.8939 to 10 in the case of the franc). It could be done at the same time as the government moves to the narrow band.

In the medium term the pound/franc would provide an alternative to the D-Mark/Ecu in the move towards Emu – in line with the Treasury's erstwhile preference for competing currencies and an evolutionary approach.

Cobbold,
managing director,
Gaiacorp UK,
7 Adam Street,
London WC2N 6AA

OBSERVER

Those who teach…

■ Where does the world's best known management school look for a leader for its new publishing venture?

Not to the august experts on its teaching staff, in the case of Harvard Business School, even though one of them – the famous Rosabeth Moss Kanter – already edits its flagship publication, the Harvard Business Review.

Having decided to group its disparate publishing activities into a single enterprise expected to generate $40m a year in revenue, the school is importing a publishing professional to run it in the shape of Ruth McMullen from Wiley. Kanter, a professor of organisational behaviour, will step down as editor of the review although she becomes vice-chairman of the board of the new unit.

While her two-year stay in the editorship has been stormy at times, insiders say the real source of the evident tension is not her management but the hybrid nature of the product. The bi-monthly review is neither an academic journal nor a typical business magazine.

Even so, with efforts in train to make it less stuffy and attractive to a wider public, Kanter's departure may signify Harvard's recognition that business academics aren't always the best people to run businesses in practice.

Still kicking

■ Britain's high-minded music critics seem to have been caught off-guard, if not downright disappointed, by the fact that the 76-year-old Frank Sinatra can still thrill a Royal Albert Hall packed with folk looking for something more than a trip down memory lane.

Ready to gloat at the dimming of the ol' blue eyes, the critics seemed to have their worst prejudices vindicated by the presence of banks of autocues, not to mention an in-ear hearing aid. On his first night in London of this heavily flagged European tour, Sinatra managed to introduce his wife, seated in the audience, twice over, and later tried to leave the stage by the wrong exit.

But even his detractors could not but be awed by the vast stage presence, and the, as ever, impeccable sense of timing. An ageing voice jarred more in the spoken asides than when he sang.

Anyone with the temerity to argue Sinatra should have put his feet up long ago might care to compare his current rendering of "Witchcraft" with that of a 1957 recording, re-released on CD - the considerably more youthful version, bland, even banal, certainly with none of the beguiling quality that so captivates today.

On the move

■ Did the Cadbury report say anything about putting staff convenience above shareholder value?

Sir Adrian Cadbury's review of corporate governance this week happened to coincide with an announcement from his old stable Cadbury Schweppes that the sweets and drinks manufacturer is on the move. Having outgrown its corporate headquarters near Marble Arch – Connaught Place, which it owns – it is trading up some to Berkeley Square in the heart of Mayfair at a tidy £55 per square foot.

Challenged about this apparent extravagance in the midst of Britain's gathering property crisis, the company says it thinks it has an excellent deal, including an unspecified rent-free period. While it looked "around the M25 corridor", it prefers the West End; one of its primary concerns is not to uproot its staff. It adds that it is looking forward to the big cash flow boost from the sale of the old building – "when the market picks up".

L of a reason

■ Venture capital director Stephen Hill permitted himself a small, wry smile yesterday as news broke that Canary Wharf was going into administration.

Hill, managing director of LICA Development Capital, a "boutique" venture capital company, had just dusted down an investment assessment he produced in 1984 for his then boss Bill Norris, the legendary founder of Control Data.

The American computer group was thinking of setting up a new UK Business and Technology Centre where resources and facilities are shared.

Hill's boss was not best pleased by his verdict that the centre would not be viable in the short term and things would only get worse in future.

The November 1984 report quoted the UK property industry adage that there are three main ingredients for a successful development: "location, location and location".

Control Data indeed decided not to go ahead and dropped its option on a development site.

It was later snapped up by none other than Olympia & York – for Canary Wharf.

Down the river

■ As fireworks flashed and balloons soared close by London's Canary Wharf yesterday, overseas visitors may have been prompted to think the Brits at least take business failures bravely. That, however, would have been the wrong conclusion.

What the high-jinks marked was not Europe's biggest property development going under, but the formal launching by Dame Kiri Te Kanawa of the £70m, twin-hulled liner Radisson Diamond just across the Thames.

Diamond Cruise's 19,000-tonne ship was of course already afloat, having sailed up from Tilbury overnight for the naming ceremony at Greenwich. The shipowners' president, Christian Aspegren, said he'd chosen the site, with Canary Wharf's tower dominating the background, as the place "where world time begins and where we are celebrating the beginning of a new time in the world's cruise industry".

"It is a great privilege to be on this glorious ship," declared Dame Kiri as she christened each of its hulls with a bottle of champagne – a marked contrast to the bitter cup being drunk over the water.

FINANCIAL TIMES

Friday May 29 1992

Russian chiefs criticise western work practices

By Leyla Boulton in Moscow

MANAGERS of Russia's biggest industrial enterprises are supporting moves towards a market economy but believe it is "unethical" to adopt western practices such as mass layoffs and aggressive pricing policies to reach that goal.

This is one conclusion of the first report into why many senior managers of enterprises, from arms producers to textile manufacturers, have not responded to the government's "shock therapy" to shift Russia from a planned economy to a free market one.

The report by the Russian Union of Industrialists and Entrepreneurs is based on opinion polls and interviews involving 200 of Russia's biggest enterprises. It paints a portrait of an average senior manager who finds it unethical to charge "excessive" prices to his friends and to demand payment from other enterprises which claim they cannot pay.

With debts between enterprises reaching Rbs1,300bn ($13.4bn), according to the central bank's latest figures, the report cites a fear among enterprises that demanding late payments from each other, will mean "everything will stop".

A reluctance to fire employees explains why a 15 per cent fall in production for the first quarter of this year has not resulted in a surge in unemployment. The report notes that the courts and trade unions also deter enterprises from sacking workers, but many directors feel responsible for their workforce and hope that the bad times will pass.

It also notes that 80 per cent of managers favour privatisation, believing it will attract foreign capital. There is a widespread belief that foreign investors will avoid state-owned enterprises.

Western-style pricing policies, however, find little favour among the managers. After the liberalisation of prices in January, enterprises, most of which are monopoly producers, have tended to raise their prices, until they cannot sell their goods, rather than cut their costs.

They continue to add a fixed 25 per cent to their costs (the maximum allowed by the state), plus the new value added tax of 28 per cent passed on to the buyer.

The government has threatened to close some inefficient enterprises to make others restructure, but a law on bankruptcy which should make this easier only reached parliament yesterday.

But it remains to be seen whether the government, which faces political pressures not to allow production to collapse, will carry through on its threats.

EGB to cut back agents, Page 2

Shanghai shock for bulls in China stocks

By Alexander Nicoll, Asia Editor

THE CHINESE, who have embraced share trading with wild enthusiasm, are having to get used to the concept of prices going down as well as up.

Prices on Shanghai's stock exchange have dropped 19 per cent in the past three days, after the authorities attempted to ban investment syndicates suspected of ramping share prices. A week ago prices doubled in a single day when the exchange removed limits on daily price movements.

The exchanges in Shanghai and in Shenzhen special economic zone, close to Hong Kong, have caught the imagination of the Chinese, many of whom have substantial savings and are looking for ways to put their money to profitable use.

Many other cities, including Guangzhou, capital of prosperous Guangdong province, have applied to open stock exchanges. The authorities in Beijing are adopting a cautious approach and officials believe that any new exchanges approved will be in the north.

Shanghai lists "A" shares, which can be traded by Chinese, in only 14 companies, and "B" shares, which can be traded by foreigners, in one of them. A further 15 "A" shares and six "B" shares are listed in Shenzhen. With the opportunities for investment so limited, the prices of shares have soared.

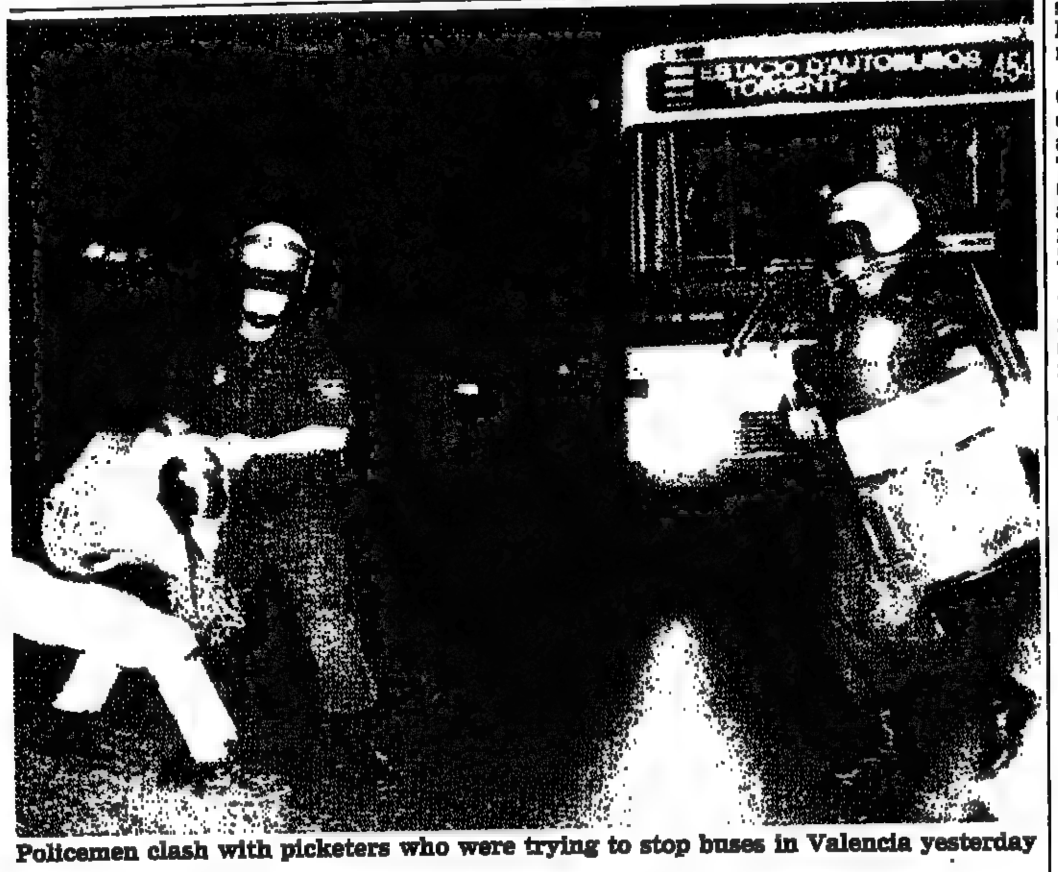
Although the exchanges have been open for 18 months, trading this year has become frenzied following Beijing's endorsement of accelerated economic reform and as a result of growing prosperity in the south. There is growing interest in the markets from investors in other provinces.

Investors see share trading as a way to make quick money in a country which offers few profitable avenues for investment. Communist officials in provinces all over China see share ownership as a means to mobilise savings to back economic reform, to revitalise grossly inefficient state industries and to emulate the booming south.

The Shenzhen mayhem saw one murder and hundreds of arrests as authorities curbed gangsters fighting for places in queues at brokers' – queue positions were being traded as well as shares. In Shanghai, one man committed suicide after losing 6,000 yuan ($1,000).

Stockbrokers say that Shenzhen, with its proximity to Hong Kong and limits on price movements already removed, is a more sophisticated and less volatile marketplace than Shanghai. But both have seen huge rises and bumpy rides, with price/earnings ratios of more than 50 and trading systems strained by volume exceeding capacity.

More shares are expected to be issued this year. Though strictly for the knowledgeable and brave investor – China has neither accounting standards nor securities law – they are attracting demand from a growing number of specialist funds.



Policemen clash with picketers who were trying to stop buses in Valencia yesterday

Spanish unions fail to halt country with half-day strike

By Peter Bruce in Madrid

SPAIN'S trade unions face some tough political decisions after failing yesterday to bring the country to a halt during a half-day general strike in protest at government spending cuts.

The morning strike, which the unions claimed had been supported by an overwhelming majority of Spaniards, had little effect in Madrid and other big cities. Minimum public transport services decreed by the government in the face of fierce union criticism were exceeded in the capital. The government also held firm to its promise to use police to break up pickets trying to stop people using public transport. Most shops and businesses opened normally.

There were some arrests around the country in clashes between police and pickets, but apart from stopping work at large industrial plants, the strike had nothing like the effect of the last national stoppage – a one day strike in 1988 – when Spain came to a halt.

One measure of the strike's effect on business is that national electricity consumption, which fell 55 per cent in the 1988 stoppage, was down just 13 per cent early yesterday and had risen to 93 per cent of normal levels by mid-morning.

Prime minister Felipe Gonzalez' new readiness to use police to prevent disruption is symptomatic of the confidence with which his government is facing the union challenges to its economic policies.

Those policies include freezing public sector subsidies and lowering unemployment benefits. They are part of government efforts to ensure that Spain meets the convergence criteria set down by last year's Maastricht agreement on European economic and monetary union.

Union leaders have to decide whether to continue with the protests – and a full day general strike in October – or let the issue drop and hope the government will allow them to save some face by at least discussing marginal changes to policy.

That may happen. A general election has to be held by October next year and some peace with the unions may make the difference between an overall Socialist party victory and the need to form a coalition with other parties.

Liquidation threat to Canary Wharf

Continued from Page 1

Mr Stephen Adamson, one of three joint administrators, said he would look at the option of finding finance for the Jubilee extension, but he could "not be more positive than that". He said Canary Wharf "could survive without the Jubilee line".

All creditors' claims on the project have been frozen under the administration order. The group of creditors owed the most are banks, who have lent Canary Wharf around £1.2bn. Mr Miller, a partner of investment bank James D. Wolfensohn, said that builders of the project were owed comparatively little.

Another important group of creditors are the existing tenants of Canary Wharf. In order to persuade them to move to Docklands, O&Y took over the leases of some of these tenants' previous buildings. The costs to Canary Wharf of paying the rent on these leases – including rents of tenants who are supposed to move in later this year – is £25m a year. These costs are likely to revert to the tenants.

Some of these prospective tenants, including American Express, the US financial company, and Texaco, the US oil company, are now expected to review whether they move to Canary Wharf.

The American Express building at Canary Wharf is only 85 per cent finished. Bankers admitted there was a doubt whether the administrators would have sufficient funds to finish the building. If it is not finished, there is little chance of American Express ever occupying the building.

Any sharp drop in the forecast occupancy rate at Canary Wharf would seriously reduce the likelihood that the project can emerge from administration as a going concern. If administration becomes liquidation – and Mr Adamson admitted there was a risk of that – the effect on the property market in the adjacent area would be devastating.

It would also mean that losses faced by banks, which include Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada; Commerzbank from Germany, Crédit Lyonnais of France, Crédit Suisse of Switzerland, Citibank from the US and Barclays and its UK rival Lloyds, would probably exceed the £600m they currently project.

Banks' exposure comprises a core loan of £566m to Canary Wharf, a finance lease of £58m which is guaranteed by Barclays, a separate £450m loan from four Canadian banks and £100m from the European Investment Bank.

Scalfaro call for reform

Continued from Page 1

action on the country's deteriorating finances. He emphasised the risk of failing to converge with the rest of Italy's EC partners, adding: "We are well aware that Europe cannot wait."

After being sworn in for his seven-year term, Mr Scalfaro drove to the Quirinale Palace where Mr Giovanni Spadolini, interim president for the last month, formally handed over the keys of office.

Mr Scalfaro, a long-time widower and devout Catholic, inherits a 16th century palace with 1,200 rooms used by 30 former popes, four kings and eight presidents. The total presidential staff numbers 796 with a budget of L207bn ($166m) a year. This may now be subject to scrutiny.

THE LEX COLUMN

Ripples from Docklands

There is an obvious temptation for the stock market to see the initiation of bankruptcy proceedings against Canary Wharf as something which principally affects the banking and property sectors. In fact, the travails of the property market, of which Canary Wharf is a symptom, may turn out to be a drag on the entire economy, even if the direct effects are difficult to quantify.

The government's reluctance to assist, for example by financing the extension of the Jubilee line, says more about the degree to which its finances are already stretched than about the gravity of the problem. Unfortunately for Mr Major, his government's inability to bail out the property sector may even end up making public finances worse.

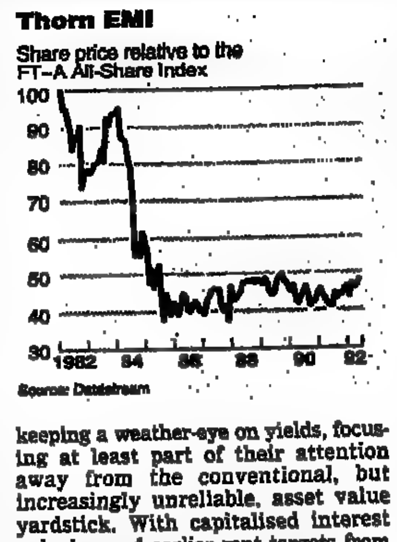
It will force the banks to take the hit on the chin. There is no immediate threat to their capital ratios, but provisions are likely to remain high for at least the next two or three years. So they will not generate nearly enough retained earnings to meet the level of loan demand generated by even a fairly modest recovery. Indeed, there is hardly any prospect of banks disposing of sufficient capital to finance the growth of over 3 per cent which the government has factored into its budget projections from next year onwards. The consequence will be continuing deflationary pressure on public spending.

The best palliative would be a sharp cut in short-term interest rates. This would not only alleviate the burden for cash-strapped property companies. Lower rates would also create room for banks to increase their lending margins, thus providing them with income with which to build up provisions. As the ERM precludes this route, the prospect is that the pain now emanating from Docklands will spread widely through the economy for a long time to come.

MEPC

The short term impact of the Canary Wharf administration on the likes of MEPC may well be mildly positive. But it would be unwise to gamble too much on tenants flocking back from Docklands – or no longer being tempted to go there – when there is still the distinct long term possibility of a receiver simply slashing the rents. In the meantime, yesterday's decision by MEPC merely to maintain its interim dividend emphasises why investors in property companies are keeping a weather-eye on yields, focusing at least part of their attention away from the conventional, but increasingly unreliable, asset value yardstick. With capitalised interest reducing and earlier rent targets from new developments getting harder to meet, the prospect for dividend growth over the next two to three years would seem to be limited. A 7.5 per cent yield on the shares at last night's 355p thus seems about right. The good news is that thanks to investment property sales the company is on target to maintain the absolute level of net borrowings at the year end.

FT-SE Index: 2694.2 (-4.4)



Thorn EMI

Thorn's restructuring has been well documented, but the size of the extraordinary items accompanying broadly unchanged full year profits yesterday still came as something of a surprise. The company, to be fair, is scrupulous about taking routine rationalisation costs above the line, has refused to join the pension accounting bandwagon, and can individually justify the component parts. A gross charge equivalent to almost 50 per cent of pre-tax profits nevertheless took some of the shine off an otherwise resilient performance.

The weakness of Thorn's shares in the last week – in contrast to the immediate post Virgin euphoria – no doubt owes something to the second instalment on the rights. It may also reflect the market's uncertainty as to whether the stock is primarily a defensive or a recovery one. The improvement in music margins (ex Thames) vividly demonstrates its defensive appeal, but though US rental volumes now appear to be picking up the UK side looks set for another tough year. Thorn is solid, well-financed, and clearly has scope to improve the returns from non-core businesses like lighting and security. Until the much hyped benefits of the Virgin acquisition start to show through, however, the shares may struggle to live with a rating 16-17 per cent above the market average.

Water sector

The opening brace of water company results provided an object lesson in practical regulation. South West Water won permission last year from Ofwat to pass on to consumers some of the costs of additional long-term capital spending; North West Water has found a neat solution to its unforeseen requirement for £360m of extra spending. A deal with Ofwat means its customers will be spared even bigger price rises, while the company has the incentive of an agreed 7 per cent real rate of return on the investment.

Perhaps more importantly, the arrangement will be kept separate from the industry's price review in 1994. That reinforces the impression that the companies as a group are doing their best to limit Ofwat's ability to squeeze the price formula. In part that involves judicious control of profits via restructuring provisions or a greater interest burden. It will be rather harder to avoid scrutiny of operating margins in the basic water business which, in the case of the most efficient companies, are creeping towards 50 per cent. But South West and North West have persuaded Ofwat to accept a long-term view. Shareholders should not expect the rest of the sector to enjoy similar treatment.

Storehouse

Yesterday's announcement from Storehouse confirms that the group is toughening its attitude towards underperforming assets. The appointment of Habitat's finance director as divisional chairman and chief executive probably implies the imminent closure of the loss-making US operation. The French stores have been alone in making a consistent success of the Habitat concept, so Storehouse would doubtless smile on any bid from its French management to take control of the rest of the division. If the shares failed to react, it was doubtless because they are already discounting rather more than this tinkering at the edges.

World Weather

City		°C	°F
Ajaccio	S	24	75
Algiers	S	27	81
Amsterdam	S	26	79
Athens	S	21	70
Bahrain	S	32	90
Bangkok	F	37	99
Barcelona	S	21	70
Beijing	S	35	95
Beirut	C	27	81
Belfast	F	17	63
Belgrade	F	17	63
Berlin	S	19	66
Biarritz	F	20	68
Bombay	F	33	91
Bordeaux	F	17	63
Boulogne	C	23	73
Brussels	S	23	73
Budapest	S	16	61
Buenos Aires	C	12	53
Cairo	S	34	93
Cape Town	S	18	64
Caracas	C	30	86
Casablanca †	F	22	72
Chicago †	S	7	45
Cologne	S	25	77
Copenhagen	S	19	66
Corfu	F	23	73
Dallas †	T	19	66
Dublin	C	14	57
Dubrovnik		–	–
Edinburgh	F	13	55
Faro	R	19	66
Florence	S	26	79
Frankfurt	S	25	77
Geneva	S	23	73
Gibraltar	F	24	75
Glasgow	F	18	64
Helsinki	S	21	70
Hong Kong		–	–
Innsbruck	F	22	72
Inverness	S	14	57
Islamabad	C	24	75
Istanbul	F	18	64
Jakarta	C	33	91
Johannesburg	S	16	61
Lisbon	R	16	61
London	C	23	73
Los Angeles †	C	18	64
Luxembourg	S	18	64
Madeira	S	23	73
Madrid	R	16	61
Majorca	S	22	72
Malaga	F	26	79
Malta	S	23	73
Manila	C	36	97
Melbourne	F	14	57
Mexico City	C	24	75
Miami †	S	24	75
Milan	S	25	77
Montreal †	S	10	50
Moscow	S	15	59
Munich	S	20	68
Nairobi	F	25	77
Naples	S	23	73
Nassau	F	30	86
New Delhi		–	–
New York †	S	12	54
Nice	F	22	72
Nicosia	S	26	79
Oporto	R	15	59
Oslo	S	25	77
Paris	F	25	77
Prague	S	17	63
Reykjavik	C	10	50
Rhodes	S	21	70
Rio de Janeiro	F	33	91
Rome	F	24	75
Salzburg	S	21	70
S'Francisco †	S	13	55
Seoul	F	21	70
Singapore	F	30	86
Stockholm	S	23	73
Strasbourg	F	22	72
Sydney	C	17	63
Taipei	F	30	86
Tangier	F	22	72
Tel Aviv	S	33	91
Tenerife	S	21	70
Tokyo	C	20	68
Toronto †	S	10	50
Tunis	S	27	81
Valencia	F	26	79
Venice	S	24	75
Vienna	F	18	64
Warsaw	R	13	55
Washington †	S	13	55
Zurich	F	22	72

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES SURVEY

■ **Seoul officials learnt an important unification lesson from Germany,** Page 2

KOREA

■ **Congestion is getting worse so the subways are being extended,** Page 4

SECTION III

Friday May 29 1992

Korea has much to feel proud of but it also has ample cause for concern as the country's success has bred new problems. Whoever succeeds President Roh next February will have to face many stiff challenges, writes **John Burton**

The traditional face of Korea is now much less familiar in a rapidly developing society. A further period of possibly tumultuous change is in prospect

IN THIS SURVEY

Democracy takes root

A SENSE of *malaise* pervades South Korea in the fifth and final year of President Roh Tae Woo's Sixth Republic. That is *surprising given the consider*able achievements of his administration.

Democracy has taken root and is flourishing. The influence of the military, which dominated post-war politics, is declining and none of the presidential candidates has a military background. Labour and student unrest is subsiding as Koreans exercise their democratic powers – most recently by almost denying the government a parliamentary majority in the National Assembly elec*tions in March.*

The economy is still one of the world's fastest expanding, with an expected growth rate of at least 7 per cent this year following a 8.4 per cent gain in 1991. Gross national product and per capita income nearly doubled in the past five years.

South Korea is winning its own cold war with North Korea, which is suffering growing economic problems as it becomes isolated in a non-communist world. Tensions are gradually easing on the peninsula as the two sides take the first steps toward eventual unification.

They signed treaties last December banning nuclear weapons and promoting economic exchanges. Difficulties remain in implementing these pacts, particularly procedures for nuclear inspections in North Korea which the US government believes may soon *have its own bomb*. But there is optimism in Seoul that closer co-operation between the two Koreas is not far off.

The reason why Koreans are worried, in spite of these favourable developments, is that the country is breeding a new set of problems.

Rapid economic growth is fuelling inflation and raising wages, which is eroding South Korea's international competitiveness. Policy decisions are taking longer to reach as the strength of the democratic *opposition increases*. The unification process threatens to place a heavy financial burden on Seoul.

Whoever succeeds President Roh next February and inaugurates the Seventh Republic will have to tackle these challenges as South Korea reaches a historical turning point. This is the completion of the country's transformation from a developing nation into a mature economy. But the transition is provoking new questions and doubts about Korea's future.

The next stage in the country's development is less easy to predict with confidence. Talk about Korea becoming the next Japan has become muted. Instead, attention is focused on whether South Korea can maintain the momentum that has made it the world's 15th *largest economy. The answer* will largely depend on whether South Korea succeeds in restructuring its industry.

The development of competitive advanced technologies and the establishment of profitable businesses in areas where the country can enjoy a strong competitive advantage are necessary to support its export-dependent economy.

The country must reduce its dependence on light manufacturing and heavy industries, which prospered on cheap labour.

South Korean wages are no longer low and are the second highest in Asia after Japan. This reflects the growth of organised labour following the introduction of full democracy in 1987 and the strong negotiating power workers have in an economy marked by labour shortages.

Korean companies have the breathing space to make the necessary adjustments to their *industrial structure*. They are establishing factories in other low-wage Asian countries, including China and Vietnam, to keep production costs under control. Korea is targeting Asia to balance the loss of market share by some sectors in the US and Europe. South-east Asia may soon surpass the US as Korea's biggest export market.

South Korea's family-owned business groups, or chaebol, must be careful not to allow their successful expansion in Asia to dissuade them from undertaking the difficult task of reforming themselves.

The chaebol, which dominate the Korean economy, have been the main engines behind the country's industrialisation since the 1960s and their growth was fuelled by cheap government loans. But the government believes that they have become too large and unwieldy, with their activities spread across a wide range of industrial sectors. Credit restrictions have been imposed to force the chaebol to specialise and improve their efficiency, but to little avail. Although the chaebol complain about increased financing costs as a result of the credit controls, they still borrow and invest too much in unproductive areas, the government claims.

A change might be effected if family ownership of the chaebol is reduced. Only about 30 per cent of the main chaebol subsidiaries are publicly listed and the government wants more of them open to outside investment, particularly from financial institutions such as banks. The government argues that institutional ownership will lead to improved management as family owners vacate top positions.

A more effective reform of the chaebol would be to reduce the barriers and controls that still protect them from some competitive pressures. This would include eliminating the remaining import barriers and, more importantly, introducing full financial deregulation. An expected rise in interest rates that would follow liberalisation would probably force the chaebol to dispose of unproductive assets.

Allowing the chaebol unlimited access to *foreign* loans could also encourage divestments. Foreign investors are cautious about lending to the chaebol because they have high gearing ratios, a legacy from their days of easy credit. Selling assets would lower the chaebol's debt burden and attract international lenders.

However, the government is reluctant to give up its control over the economy and, in particular, command of the financial system. The strong role of the state in economic management has characterised South Korea's development. Although government intervention proved effective in building up Korean industry, it is producing harmful side effects as the economy matures. For example, the government's powerful influence on the financial system *has* led to distortions in credit allocation, hampering the development of entrepreneurial small and medium businesses.

The government is committed in principle to financial liberalisation by 1997, but scepticism remains whether that deadline will be met. Deregulation and liberalisation would mean the acceptance of greater foreign involvement in the Korean economy. That is a large psychological hurdle for Koreans, who distrust outside interference, to overcome.

The pace of economic liberalisation will be determined by the unification process, which could produce contradictions *in government policy*. If South Korea is forced to absorb North Korea in the next few years as a result of a political upheaval similar to that which occurred in Germany in 1989, Seoul will have to rely on foreign capital and industrial investments to help it revive the north.

This is one factor that could accelerate liberalisation. But Korea will become a more self-absorbed country as it tackles the immense task of unification. The government may argue that economic controls are still needed to co-ordinate state and corporate efforts in rebuilding North Korea.

South Korea's next president could confront perhaps the most tumultuous period in the country's history since the Korean War if unification occurs soon. Korea's great *strength is the strong sense of* national purpose that emerges in times of crisis, but that sentiment could rest uneasily with Korea's need to finish internationalising its economy even as it becomes reunited.

The presidential battle is warming up

A tale of two Kims

IT IS fairly easy to predict who will be South Korea's next leader. He will be called President Kim, a former dissident leader and a perennial aspirant for the post. He stood in the 1987 election and lost, but saw his determination rewarded in the 1992 polls.

The only question that prediction *fails to address* is which President Kim it will be: Mr Kim Young Sam, the presidential candidate of the ruling Democratic Liberal Party (DLP), or Mr Kim Dae Jung, the nominee of the main opposition Democratic Party.

The answer is likely to be determined by the performance of a third candidate in the pres*idential race at the end* of the year. He is Mr Chung Ju Yung, the billionaire founder of the Hyundai business group who recently *established* the Unification National Party (UNP).

Conventional wisdom suggests that Mr Kim Young Sam still has the best chance to gain entry into the presidential Blue House. One factor favouring him is the 38.5 per cent vote share the DLP received in the National Assembly election in March, the largest of any political party.

The parliamentary results indicated that support for the government may be even *wider.* Most of the elected independents, who received 11.5 per cent of the vote, were pro-government conservatives who *had lost the DLP nomination* in their constituencies.

Mr Kim could receive half of the votes if the parliamentary voting patterns are repeated in the presidential election. A plurality of votes is needed to be elected president. President Roh Tae Woo, who is constitutionally barred from standing again, won with 36 per cent in 1987 *against the two Kims.*

The irony with this analysis is that the DLP suffered a humiliating setback in the *National Assembly ballot*, as their dominant parliamentary position was reduced to a bare majority in the 299-seat legislature. This reflected public dissatisfaction with the faltering economy.

The loss could have cost Mr Kim, who managed the parliamentary campaign, the DLP presidential nomination. But *he threatened to defect* with his 25-member legislative faction from the DLP, which would have deprived the government of its parliamentary control, if he was denied the nomination.

His only challenger, Mr Lee Jong Chan withdrew from the race after alleging that pressure was being exerted on delegates by the party's leadership to support Mr Kim. Mr Lee, a popular MP from Seoul, is considering an *independent bid* that could erode Mr Kim's support and could split the DLP.

Mr Kim's great strength is that he represents stability and continuity, which still appeals strongly to Korean voters in spite of their growing disenchantment with the political establishment. His political base is the port city of Pusan in the south-eastern Kyongsang region, the area that has produced all of South Korea's political leaders.

*Regionalism is highly influ*ential in Korean politics. It appears certain that a President Kim, due to his political weakness within the DLP, would keep in power the senior bureaucrats recruited by President Roh from his native Kyongsang city of Taegu.

Mr Kim's *handicap* is that he has become unpopular due to his political machinations in the last few years. The onetime opposition leader merged his Reunification Democratic *Party with President Roh's* party to form the DLP in 1990. This helped give the government a parliamentary majority, a position it had lost two years previously.

The apparent incentive for Mr Kim's action was a promise that he would be the DLP presidential nominee in 1992. But the public viewed Mr Kim's *support of the government* as a negation of their democratic will expressed in the 1988 National Assembly elections, a *factor* that contributed to the DLP's setback in March.

Mr Kim could become a victim of rising public cynicism about the country's political leadership. One recent poll revealed that more than half the public was dissatisfied with the two established political parties. It is the main reason why Mr Chung's UNP has *attracted considerable* support in the few months since its creation. DLP officials fear that Mr Chung's candidacy will split the conservative vote, delivering the election to Mr Kim Dae Jung.

Mr Chung is an unlikely candidate to attract protest votes. He is the 76-year-old autocratic founder of Hyundai, South Korea's second largest conglomerate or chaebol. The chaebol are regarded by the public with suspicion because of their close links with the country's earlier authoritarian governments. For example, Mr Chung asked the government to use the police to suppress strikes at Hyundai plants in the 1980s.

Mr Chung has still proved adept in tapping the public discontentment about the political establishment.

He has adopted an unashamedly populist approach in his well-financed parliamentary and presidential campaigns. He promises to reduce housing rents and reverse South Korea's trade deficit with Japan, the country's former disliked colonial master. He pledges to reform the financial *system that* has benefited his family.

Although government efforts to curb the chaebol are one reason for Mr Chung's new political role, he has recently spoken in favour of limiting their economic power. That sentiment sits uneasily with the UNP's avowed goal of reducing the state's economic controls.

"It isn't business that should be regulated, but government," said Mr Chung Mong Joon, a *son of Mr Chung senior* and one of the 32 UNP members in the National Assembly.

Mr Chung's appeal reflects national pride. His rags to riches story personifies South Korea's phenomenal growth in the post-war period. He has successfully contrasted the rapid rise of Hyundai into the country's biggest exporter with the government's patchy record on inflation and the trade deficit. "Many Koreans want to elect a strong leader *who will give the country* a sense of purpose like President Park Chung Hee did with his industrialisation programme 30 years ago. They see that figure in Chung Ju Yung, who had good relation with Park," said one Western diplomat.

The government's recent attempts to punish the Hyundai companies and the Chung family for alleged financial violations has increased Mr Chung's popularity since it casts him in the role of underdog *vis-à-vis* the political establishment.

The purpose of the government's harassment campaign was to prevent Mr Chung from using Hyundai's considerable financial and personnel resources in his campaign. Some DLP members concede that action was a strategic error. "We should have tried to accommodate him instead of alienating him," said one party official.

That mistake may come back to haunt the DLP if Mr Chung siphons off enough votes from the ruling party to deprive it of another term in the Blue House. *The UNP's voting* strength in the National Assembly should make the DLP worry. The UNP transcended political regionalism by doing well in all sections of the country except for the *south-western Cholla region*, the stronghold of the Democrats.

Mr Chung's fortunes could still dim if Koreans decide that they don't want to see big business replace the military as their rulers. It is likely that the other chaebol, fearful of the political influence that Hyundai could have, will persuade their large workforces that it is not in their best interests to vote for the UNP.

However, there is little doubt that Mr Kim Dae Jung would be pleased to see Mr Chung continue to chip away at the DLP's strength. The Democrats also benefited from discontent with the government in the National Assembly elections. *The party gained* 29.2 per cent of the vote, with a strong showing in Seoul in addition to its Cholla base, and increased its parliamentary representation to 97 seats.

Mr Kim is doing his best to correct the erroneous impression, the result of the former military government's propaganda, that he is a leftist. His position papers are moderate in tone and he is unlikely to introduce radical reforms if elected president.

The prospect of sitting in the Blue House is even encouraging him to mend relations with the military, who kidnapped and nearly executed him in the 1970s. Although the prospect of a military coup if Mr Kim is elected has probably diminished for good in the new democratic South Korea, he is taking no chances by recruiting former generals into the Democratic Party.

Mr Kim Dae Jung faces the same problem as the other Mr Kim of being an old face on the political stage. His wisest course would be sit back and hope that the DLP and the UNP tear each other apart, leaving him to pick up the spoils on election day.

Mr Kim should not rest too easily given the notorious fluidity of Korean politics. Some analysts expect that Mr Chung, concerned about the possible election of Mr Kim, may eventually withdraw from the race and give his support to Mr Kim Young Sam in return for political favours.

John Burton

Kim Young Sam: DLP presidential candidate

Kim Dae Jung: nominee of the opposition Democratic Party

TRADE

Threatened by China

KOREANS have long been used to living between a geopolitical hard place and a rock, squeezed as they are between China and Japan. They are now finding to their dismay that the trade position with these two big neighbours is equally uncomfortable.

Japan alone accounted for 90 per cent of South Korea's $9.6bn trade deficit last year, confirming that industry remains dependent on Japanese equipment and components in spite of efforts to diversify suppliers. A 2.1 per cent drop in the value of exports suggests that South Korean companies are finding it hard to compete in Japan *against Japanese* branded goods made in south-east Asia.

The Chinese threat is a new one, with low-cost goods making inroads into Korea's domestic market as well as undermining its exports to Japan and elsewhere.

A loss of market share in some sectors in the US has added to Korea's discomfort, and there is little prospect of early relief from Washington's allegations of dumping and complaints about market access.

A partial solution to these problems, according to Mr Deuk-Hwan Yu, the assistant minister for trade policy, is export market diversification, a trend which is beginning to be discernible.

Ministry of Trade and Industry (MTI) figures show that the trade deficit for the first quarter of 1992 narrowed to $3.84bn from $4.33bn in the same period last year. This, officials say, was largely due to increased exports to markets such as south-east Asia, which in March overtook the US as Korea's largest export area.

There have been sharp increases in trade with the European Community and central and eastern Europe. Other areas which are seen as priorities for further development are the Middle East, South America and Africa. However, South Korean officials concede that none of these regions offers the potential of the US and Japan.

In addition, areas such as the EC, with a variety of cultures and languages, pose problems for individual Korean companies, most of whom are accustomed to the homogenous markets of the US and Japan. Mr Gilles Anoull, the EC representative in Seoul, notes that Europe "wasn't even on the map" for most Korean companies until 1989, *when the Economic Planning* Board produced its first report on the single market.

Bilateral trade has increased by 35 per cent over the past two years as electronics and car manufacturers began to see western Europe as an antidote to a sluggish US market. But the rise has not been without rancour. Korean officials say they are still concerned that "EC integration could result in a fortress mentality". And a senior MTI official contends that there are "too many EC anti-dumping cases against Korean companies and the *penalties are too high*".

> A loss of market share in some sectors in the US has added to Korea's discomfort

The need to avoid such actions is one factor behind increased Korean interest in direct investment in Europe, according to Dr Moon-Soo Kang of the Korea Development Institute. He believes businesses "are beginning to understand that they need a presence in the EC" to complement trade links.

Mr Anoull has detected a change in attitude, and says "most of the big companies accept that trade and investment now go hand in hand".

The number and size of Korean investments in Europe are relatively low. Official figures show that Europe accounted for only 112 of the 1,463 direct foreign investments made by Korean companies up to June 1991.

The high cost of western European labour, even relative to the US, accounts for some of the reluctance on the part of Korean companies to invest in the EC. The opening up of eastern Europe, on the other hand, has generated a good deal of interest.

This is explained in part by the fact that the Seoul government has been keen to make inroads in countries which had formerly maintained close relations with North Korea. Added to this has been the prospect of using eastern Europe as a low-cost assembly and production centre, primarily for exporting into the EC.

Some deals have materialised, such as Samsung's decision to build refrigerators in *Czechoslovakia*. But Mr Anouil says many Korean companies are having second thoughts about rapid expansion in eastern Europe.

Financial constraints, including high domestic interest rates and restrictions on overseas borrowing, are considerable. In addition, the Seoul government has rejected business requests for support to enable them to participate more extensively in eastern European privatisations.

The parlous *state of some* eastern European industries is a deterrent. Samsung Electronics, for example, continues to study prospects in the region, but it has determined not to "set up production facilities in a country without a basic electronics industry, no matter how low the wages are".

The lure of the US is proving hard to break. Mr Joon-Suk Jung, director of MTI's Europe division, says Korean companies still find the "US much easier compared with the EC, let alone eastern Europe".

An early economic recovery in the US could slow the diversification drive, although it is unlikely to reverse it. The persistence of potentially disastrous trade disputes with the US, such as the latest allegation that Korean semiconductor manufacturers are dumping memory devices in the US market, is an incentive to maintain the policy.

So is the possible message behind the recent loss of market share in the US and Japan. As a Western diplomat said: "A country's performance in the free business environment of the US measures its current competitiveness, while the performance in Japan tells you how it will do in future."

Robert Corzine

Seoul avoids haste over reunification, writes John Burton

Hard lesson from Germany

THE two Koreas are agreed on one subject: they both want to avoid North Korea being rapidly absorbed by the South.

It is ironic that officials in Seoul, who once hoped for a quick downfall of the Pyongyang government, now have an interest in preserving it for at least another decade while the two Koreas gradually integrate.

"We may once have wished for the North Korean government's instability, but then we saw what happened between East and West Germany. We have learned our lesson," said Mr Yu In Teak, who is a director of analysis at the National Unification Board, the cabinet-level agency responsible for relations between the two Koreas.

The South Korean government sent dozens of study teams to Germany in the wake of its reunification. It convinced Seoul that a rapid takeover by South Korea of the north, if it suddenly collapses as its economic problems mount, would be disastrous.

"Our economy couldn't cope with a quick unification. We would face bankruptcy," said Mr Tae Hwan Ok, the director of research at the Research Institute for National Unification, the government advisory agency on the unification issue.

Mr Ok estimates the cost to South Korea of supporting the North at between \$30bn-\$50bn annually during the first decade if unification occured soon. He said that unification should take not place until at least 2020 if Seoul wanted to avoid adverse economic consequences.

Although Mr Ok's analysis is more pessimistic than most, other studies have concluded that South Korea would pay a heavy price for early unification. The Economist Intelligence Unit (EIU) conservatively estimates that South Korea would have to spend between \$15bn-\$26bn annually in the 1990s to improve North Korea's industrial base and infrastructure and provide social services.

A report by the Korean Development Institute (KDI), the government-affiliated think tank, concluded that even if unification were postponed until 2001, the Seoul government would need to spend \$240bn during the following decade to support an unreformed North Korea.

"Unification presents us with more difficult problems than it did to Germany," said Mr Ok. South Korea's population is only twice the size of the North's, while West Germans outnumbered East Germans by 4:1. North Korea's industrial structure is much worse than East Germany's, while the rebuilding of its road and rail network will take longer because of North Korea's mountainous terrain.

'Our economy couldn't cope with a quick unification'

The most important difference between Korean and German unification is that South Korea is poorer than West Germany. While Bonn spends about 10 per cent of its budget on unification, the costs involved in a rapid absorption of North Korea would consume more than half Seoul's budget of \$44.5bn.

Consequently, taxes would have to be raised, while the country's debt would increase as Seoul sought foreign loans to finance the restructuring of the north. The overseas expansion of the South Korean business groups, or chaebol, would be blunted as they concentrated on developing industries in the north.

There is concern about the psychological gap between the two Koreas. The isolation of North Koreans, who have almost no access to information from abroad, means that "the difference in attitudes between North and South Koreans has become immense," said Mr Yu.

The daunting task that awaits South Korea has persuaded officials that gradual unification is the only course. They claim that the public feels the same way. "Reunification is a sensitive and volatile issue because there is a strong emotional urge to see our country become one again," argued Mr Kim Hakjoon, the chief press secretary for President Roh Tae Woo. "But the German example has given the people a more realistic attitude toward reunification."

The government believes the pace of economic integration will accelerate once the issue of North Korea's nuclear programme is resolved. "North Korea will not be able to withstand the diplomatic pressure being exerted from all sides to open its nuclear facilities to full inspection. We expect the nuclear issue will no longer be an obstacle by the end of the summer," said Mr Kim.

Friendly gesture: South Koreans crossing into the north

Economic co-operation would consist of growing inter-Korean trade, participation in infrastructure projects such as development of the Tumen River basin, and the establishment of South Korean light manufacturing factories in North Korea.

This should improve North Korea's industrial base and lead to higher living standards, which are one-fifth of those of South Korea on a per capita of gross national product basis. The KDI predicts that if sufficient economic progress is made in North Korea, then unification in 2001 would cost the Seoul government about \$90bn by 2010.

The opening of the North Korean economy would be accompanied by moves toward a confederal linking of the two Koreas. Controls would be maintained on labour movements between the two halves of the peninsula during this transition phase, while the two currencies would remain separate but traded at a fixed rate. Political co-operation would eventually lead to *de jure* unification after the turn of the century.

The success of this plan outlined by Seoul depends on the North Korean government reforming itself in step with the economy, while the population remains patient with the slow improvement in their living standards. Economic reform would not unleash the popular uprisings that characterised the eastern European bloc in 1989-91 because the North Korean internal controls are comprehensive and the population docile, said Mr Yu.

Some independent analysts believe that Seoul's plan of gradual rapprochement is unlikely to succeed. Mr Aidan Foster-Carter, director of the Leeds University Korea Project and author of the EIU report, *Korea's Coming Reunification*, said that North Korea would probably collapse economically and politically by 1995 much as East Germany did in 1989.

He predicted that Kim Jung Il would not last long as North Korea's leader after the death of his father, Kim Il Sung. Although his successors would be more reform minded, the changes needed to revive the North Korean economy and keep the population satisfied would be too great to undertake on a gradual basis. The inability of the North Korean system to respond to the economic crisis would leave no alternative but for Seoul to absorb the country at once.

Mr Foster-Carter said that South Korea had several advantages over Germany. The strong role of the state would make it easy to co-ordinate government and corporate investments in North Korea, while the potent appeal of Korean nationalism and Confucian values would encourage Koreans to share the burden of unification without much protest. Against all the odds, Seoul would be able to handle an early unification due to these sociological factors, he concluded.

ECONOMY

The target is a triple seven

OPTIMISM is increasing that South Korea's overheated economy is gradually cooling down. Although the country had an enviable growth rate of 8.4 per cent last year, the brisk economic activity fueled a high inflation rate of 9.7 per cent, steep market interest rates of 17.8 per cent and a widening current account deficit of \$8.8bn as import growth outpaced exports.

These are worrying statistics for a country whose livelihood is heavily dependent on exports in spite of the growing importance of the domestic market. South Korea's international competitiveness has been eroded in the last five years by a jump in wages as workers sought to keep up with higher consumer prices and climbing housing costs. The inflationary pressure was fuelled by an expansion of the money supply.

However, the government claims that 1992 will mark the turning point in regaining control. "The Korean economy is in a process of readjustment. We are not pessimistic about its prospects," says Mr Kim Chong In, a legislator who recently served as the senior presidential secretary for economic affairs.

The Economic Planning Board (EPB), the main economic policy agency, speaks of achieving a 'triple seven economy this year, meaning a 7 per cent growth rate, 7 per cent inflation, and a \$7bn current account deficit. That assessment can probably be dismissed as election talk and even the government is hesitating to adopt these targets as its official goal.

There are encouraging signs that South Korea is approaching the EPB guidelines, although still falling short of them. The economy grew by 7.6 per cent during the first quarter. The inflation rate of 2.6 per cent during the period was almost half that of the 4.9 per cent rate a year ago. The current account deficit shrank by 14 per cent to \$3.2bn as the growth in exports surpassed that for imports, narrowing the trade deficit by 23 per cent to \$2.6bn.

The government must resist increasing the money supply in an election year

The Korean Development Institute (KDI), the government-affiliated research organisation, recently revised its forecast for the year based on the favourable first-quarter results. It predicts a gross national product growth rate of 7.5 per cent, an inflation rate of 8.7 per cent and a current account deficit of \$8.4bn. But some of the reasons for the improvement should still make government officials pause.

The slowdown in economic growth is mainly due to cut backs in fixed investment rather than personal consumption. The government has clamped down on the construction spree, which was a main source of economic expansion in the last few years. The state is curtailing residential investments following the completion of its three-year programme to construct 2m housing units, while commercial and infrastructure projects are less affected by investment restrictions.

The growth rate in construction is expected by the KDI to be halved to 5.4 per cent this year. The growth in industrial investments is declining from a rate of 12.8 per cent in 1991 to an estimated 9.7 per cent in 1992, reflecting the economic slowdown and high interest rates. This follows several years of healthy industrial investments as Korean companies sought more automation in their factories.

The growth in personal consumption remains stubbornly high, with the KDI predicting an increase of 8.8 per cent against a 9.2 per cent rise in 1991. The government has vainly sought to curb consumer spending, which has been bolstered by wage rises and money earned in the speculative property market over the last few years.

The state has sponsored an austerity campaign that has focused on conspicuous consumption, including the purchase of imported luxury goods. But this has had only a marginal impact. The slight fall in private consumption expected this year is mainly the result of slower growth in disposable income caused by high inflation and lower wage increases.

The economic slowdown is expected to narrow the trade deficit and the current account deficit. Exports grew by 11 per cent to \$16.8bn in the first quarter of 1992 due to increased shipments of cars, ship and petrochemical products, outpacing the 6.6 per cent rise in imports to \$19.5bn.

South Korea will have difficulty sustaining this performance. Lower oil prices were largely responsible for the decreased import growth in the first quarter. A year ago, South Korea was stockpiling oil in response to the Gulf crisis as oil prices were hitting their peak. KDI expects imports to rise by 9.7 per cent to \$85.8 per cent this year, against a 16.7 per cent increase in 1991, due to falling purchases of capital goods from abroad. Exports will rise by 10.4 per cent to \$77.5bn, reflecting a gradual recovery in the global economy and a depreciation of the won.

Exports could grow faster if South Korea managed to tame inflation, which is the government's number one economic priority, according to Mr Choi Gak Kyu, the vice-minister and head of the EPB. The battle against inflation rests on tighter fiscal and monetary policies on the demand side and containment of wage increases on the cost side. That may be a tough task to achieve in an election year and with the government's authority weakened by its disappointing result in the National Assembly elections two months ago.

The government is seeking to cap wage growth at 5 per cent during this year's pay negotiations. Most independent economists believe the actual rise will be closer to 10 per cent, although this is still down from the 20 per cent annual pay growth that workers received in the late 1980s.

The government is arguing that wage demands should be lower since housing prices are starting to fall. It claims this is the result of its plan to build 2m housing units in 1988-91, although critics contend the project helped fuel inflation and drove up wages as workers fled industry for more lucrative construction jobs.

The government must resist the temptation to increase the money supply in an election year. It has committed itself to limit this year's growth in the M2 measure of money to 18.5 per cent against 18.6 per cent in 1991. This follows an average growth rate of 19 per cent in the second half of the 1980s.

Mr Cho Soon, the Bank of Korea governor, is dedicated to a tight monetary policy and is willing to see companies go bankrupt to maintain it. That view could prove unpopular with his political masters at the Ministry of Finance.

Pressure on the ministry from senior government officials to ease lending, at least to small and medium businesses, could increase as the wave of expected bankruptcies mounts in the approach to the presidential election in December. Some members of the ruling Democratic Liberal Party argue that monetary policy should remain flexible.

They argue that an excessively tight money supply could slow growth below the 6.8 per cent to 7.2 per cent range that is considered optimal by the EPB to absorb the country's young labour force.

Another obstacle to keeping the money supply under control is the seepage of money from the country's sizeable underground economy.

JB

Why the stock exchange is still subdued

Unnatural silence

KOREA'S reputation as the land of the morning calm may strike visitors caught up in one of Seoul's rush hour traffic jams as singularly undeserved. But it sums up the mood on the Korean stock exchange (KSE). Its performance this year has been subdued despite the infusion of funds from abroad after the limited opening of the market to foreign investors in January.

The composite index has hovered around the 600 level for much of the year, compared with an-all-time high of 1,008 in April 1989. Interest rates at around 16 per cent, a relatively low GDP growth rate of about 7.5 per cent and political uncertainty surrounding December's presidential election explain the poor performance, according to local brokers.

Their foreign counterparts say the same factors have put off many international investors, who have also been deterred by the remaining government restrictions on their activities. These include a 10 per cent limit on foreign ownership of individual shares and a three per cent ceiling on holdings in a Korean company by any single foreign investor.

Other barriers to greater foreign participation include a requirement to secure an investor identification number and a capital gains tax which has proved to be a big deterrent to investors from Germany, Japan and Hong Kong, countries which do not have double taxation treaties with South Korea.

Some foreign investors have also been annoyed at having to trade under their real names, rather than through the usual nominees, though it appears that this requirement is being eased, according to Mr Peter Thorn, the chief representative in Seoul of brokers W.I Carr.

Another factor which has dampened the interest of those investors who missed the first wave of buying is the fact that foreign holdings in the most liquid stocks quickly reached their ceiling, forcing latecomers to pay a premium in the over-the-counter market. Ministry of Finance officials note, however, that only 18 companies out of the 688 listed have reached their foreign quotas.

Ministry figures show that foreigners invested $917m as of May 6, while withdrawing only $125m. The net foreign position at the end of April represented just 0.73 per cent of the market's capitalisation, suggesting that government fears that a "wall of Japanese money" would be used to pick off the choicest bits of Korean industry were overstated.

The lacklustre performance of the composite index so far this year conceals sharp price rises in the shares of some smaller companies, a sector in which foreign buyers have been particularly active. Mr Thorn notes that the shares of some smaller companies are trading on "multiples of only six, seven or eight and are extraordinarily cheap".

The low price/earnings ratios are largely the result of the sector having been ignored by domestic investors, who have traditionally focused instead on the absolute price of the more liquid shares of large companies.

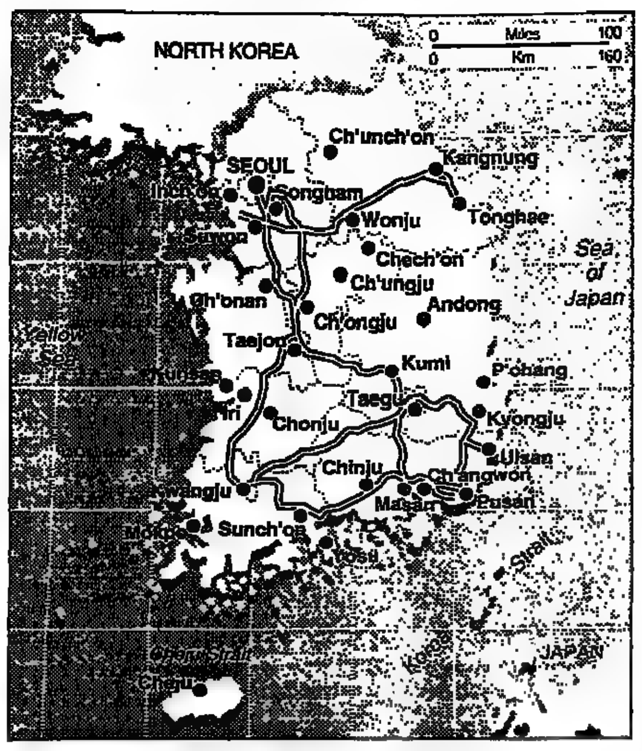
Foreign infatuation with the smaller companies has struck a welcome chord with the government, which is keen to encourage greater capital flows to small and medium-sized businesses as part of its policy to reduce the economic dominance of big conglomerates.

The initial pattern and volume of investment from abroad has also done much to calm government fears over the impact of market liberalisation, and has strengthened the hand of those officials who would like to see the stock exchange opened more widely to overseas funds.

Mr Philip Smiley, branch manager of Jardine Fleming Securities in Seoul, says: "The commitment shown by most foreign investors to stay in the market" has largely dispelled government worries that "hot money" from abroad would wreak havoc in the domestic economy.

But few brokers, whether foreign or domestic, expect radical reforms to replace the government's cautious approach. "The officials have learned much over the past three or four months", says Mr Thorn. "The Ministry of Finance is now saying to brokers 'how can we make things better?' But there is still a reluctance to give up control."

The government is under pressure from foreign brokers to raise the 10 per cent limit on overseas ownership to 25 per cent, according to Mr Duncan Ross, manager of Baring Securities in Korea. But a senior finance ministry official countered that "it is a little hasty to talk about expansion after only five months", and said investors "should not expect such a decision this year".



The lack of movement on the issue is unlikely to stop the steady inflow of foreign funds, but it leaves the KSE standing out among other Asian markets, such as Hong Kong, where large international investors can move in and out of big blocks of highly liquid stocks with ease.

US-based investors, in particular, have been put off by the lack of opportunities to invest $5-10m in one stock, according to Mr Smiley. The fact that Erisa-regulated US pension funds have been unable to comply with Korea's standing proxy rule, which conflicts with accepted American practice, has also been a barrier to US investment. But Ministry of Finance officials say a change in the rules this month should solve the problem.

Nonetheless, US investors represented 20.2 per cent of total foreign investment at the end of April, while their British-based counterparts accounted for 42.3 per cent. New Zealand, through which some Hong Kong money is reportedly funnelled to avoid the Korean capital gains tax, represented 14.2 per cent of the total. But Japanese investors had come forth with little more than $1m, according to the ministry.

The simplification or removal of the remaining regulatory restrictions will continue to be a top priority of the government, according to Mr Kim Tae-hyun, the director of the Ministry's Securities Policy Division. But he concedes that there has been "no progress" on the avoidance of double taxation for Japanese, German and Hong Kong investors.

Robert Corzine

How to restore industrial competitiveness

The advantages of North-South links

IF South Korea's industrialists had their way, the hesitant diplomatic dalliance between North and South would give way to an early economic bear-hug.

The most optimistic of the southern visionaries see close economic links with the North as the basis for a resurgence of international competitiveness. Such co-operation, say its proponents, would give South Korea the best of two seemingly contradictory economic worlds.

First, it could restore Korea's declining competitiveness in traditional export items such as footwear and clothes by shifting production to the North, instead of to low wage countries in Southeast Asia. The application of even modest South Korean technology to the North's abundant supply of cheap and disciplined labour would lead to big productivity gains, say many Seoul economists.

They believe that once such low-end but still lucrative export markets were secured, South Korean industry would be more confident about undertaking risky investments in high-technology areas.

A by-product of the process would be the economic upliftment of 20m North Koreans, who would constitute a virtually captive consumer market for the south's industry. In addition, southern access to the North's mineral and other natural resources would lessen its dependence on imports, while defence spending, which constitutes a quarter of government expenditure, could be reduced substantially.

Such a rosy scenario, however, assumes an orderly development of links with the North, rather than any sudden lurch towards unification and the attendant risks of massive economic dislocation. And it may underestimate the difficulty of working within the North's troubled economy.

Figures from the Economic Planning Board (EPB) in Seoul suggest that North Korea's gross national product shrank by 3.7 per cent in 1990, when it was hit by raw material and oil shortages caused by a change from barter to hard currency trade with the former Soviet Union. Mr Byung-Bae Kim, director of the EPB unit monitoring the North's economy, guesses that growth last year was "at best at a standstill".

The government-funded Korea Development Institute estimates that the North's GNP was $27.3bn in 1990, about a tenth of the South's, while GNP per head was $1,273, a fifth of the $5,569 official figure for South Korea.

Trade between the two economies has been minimal, and has generally been carried out through third countries such as China, Japan and Singapore. EPB figures for intra-Korean trade last year indicate that the South received $166m worth of goods – mostly non-ferrous minerals, gold, silver and coal – while sending $26m worth of mainly chemicals, textiles and home appliances to the North. Mr Kim says the growth of direct trade will depend on the pace of North-South talks this year, though a tentative agreement has been reached to set up a clearing account to facilitate greater exchanges. However, agreements on the avoidance of double taxation, commercial arbitration and the protection of investments will be required before Seoul approves the first joint ventures, he says.

The need for additional negotiations has not put off southern industrialists, especially those who believe they

The North's GNP shrank by 3.7 per cent in 1990 and last year growth was 'at best at a standstill'

can create on their own doorstep a Korean version of southern China's fast-growing Guangdong province.

Mr Kim Woo-Chung, founder and chief executive of Daewoo Group, made a much-publicised trip to the North last January, during which he tentatively agreed to set up joint ventures in a number of light industries at the special economic zone which North Korea has proposed building at the port of Nampo. He also discussed mining projects and a scheme in which 10,000 North Korean workers would be used on a Daewoo contract to build a highway in Pakistan.

The other big conglomerates, including Hyundai, whose founder was born in the North, are said to be equally keen despite a lack of hard information about the state of North Korean industry. Daewoo's Mr Kim Woo-Chung reported that productivity at the factories he visited seemed to be about half that of equivalent plants in the South, though he predicted that North Koreans would have little difficulty in adapting to more modern technology.

Rivalry among the Korean conglomerates (and possibly foreign companies) to secure North Korean partners is likely to be heightened by the fact that most industrial sectors have only a few main companies, thus encouraging early link-ups.

The Seoul government says it will gauge the success of small-scale joint ventures before approving any big investment projects or partnerships with the North. And it will need to know much more about the soundness of individual North Korean companies, says Mr Kim at the EPB.

But Pyongyang has made it clear that it has an ambitious development agenda of its own. Mr Kim Dal-hyon, the North Korean deputy prime minister responsible for the economy, said recently that Pyongyang would welcome broader foreign investment. He said the invitation included investment from the US although that would have to await a resolution of the nuclear issue and the lifting of a US ban on most commercial contacts with the North.

Such statements, however, indicate just how far the North Korean government is prepared to go to attract foreign investment, which it believes can be confined to the SEZs or other specific areas, such as proposed tourist developments in mountainous areas revered by both North and South Koreans. South Korean companies accept that that will be the pattern for the first projects. But many economists in Seoul doubt whether Pyongyang can keep the bulk of its population isolated from foreign influences for long, especially as industrial logic will dictate the location of any large-scale projects.

In the longer term, the focus for South Korean and foreign investment in North Korea could switch to the Tumen River basin along the border with China and Russia. A plan put forward by the United Nations Development Programme calls for the phased construction of a cross-border free trade zone near the mouth of the river. The zone would then serve as the base for developing the vast natural resources of the sparsely-populated hinterland of the region.

Regular talks, which include South Korean and Mongolian representatives, are being held on ways of developing such a zone, which the UNDP estimates could cost $30bn over 15-20 years.

That kind of talk clearly excites South Korean companies. It also pleases their government, which views any development that promises the orderly opening up of the North as positive. "Recent events in Germany show us that unification can take any form and can proceed at any speed," says Mr Kim at the EPB. "There will always be a painful transition, but the costs can be much lower if the process is orderly."

RC

The population boom has put strains on Seoul

World's fifth city

WHEN Seoul marks its 600th anniversary as the Korean national capital in 1994, it will also be celebrating its position as the fifth biggest city in the world with a population approaching 11m.

The city's role as an important Asian urban centre is expected to grow during the next decade, especially if the two Koreas are reunited. By 2001, its inhabitants are expected to number 14m.

But Seoul's phenomenal and rapid expansion since the end of the Korean war in 1953 has brought a host of urban ills in its wake. "Our biggest problems are transportation, housing, pollution and refuse collection," says Seoul Mayor Rhee Hai-won. Those problems stem from the population explosion the city has experienced in the past 35 years.

While the city's population stood at 1.5m in 1955, it swelled rapidly thereafter as the country embarked on a massive industrialisation programme, with factories concentrated in the main cities. As early as 1963, the population had already doubled to 3m and the city's boundaries were also doubled to accommodate the inflow of people moving from rural areas. The result was the transformation of Seoul from a compact city of traditional one-storey wooden houses into an urban sprawl dominated by high-rise buildings and the brownish haze of air pollution.

In the process, Seoul has lived up to its name, which means capital in Korean, by becoming the focal point for all aspects of Korean society. The greater Seoul region, which also includes the port city of Inchon and other towns in the surrounding province of Kyonggi, has more than 18m people, accounting for almost 45 per cent of the South Korean population.

The region is responsible for more than half of the national economic output, with 60 per cent of the country's industrial facilities located there. Besides being the political, corporate, financial and media capital of South Korea, the Seoul region has almost three-fifths of the nation's universities and close to half its theatres.

The speed of the city's growth has defeated earlier attempts to control its development. Urban planning "was difficult because conditions were changing so quickly," explains Mayor Rhee. The city adopted in 1990 a master plan that establishes guidelines until the turn of the century. But the possibility of unification could also render these proposals obsolete since it could lead to changes in population growth and a shift in expansion to areas north of the city.

Congestion is becoming worse, so the plan is to extend the subways

The fastest growing area of Seoul since the 1970s has been the Kangnam region south of the Han river, which bisects the city as the Thames does London.

While 80 per cent of Seoulites lived in the Kangbuk district north of the Han in 1966, the city's population is now evenly divided between both sides of the river. The construction of the stadia and other facilities south of the Han for 1988 Olympic Games helped accelerate the population move across the river, while transforming Kangnam into the preferred residential area for the city's middle class.

The development of Kangnam has been accompanied by efforts to create specialised districts within the area that would form the core for several satellite communities. For example, most national government offices have been moved to Kwachon, just south of the city boundary.

The city has built 400,000 housing units, most of them south of the Han, in the last three years, raising the total number of housing units in the city to 1.68m. Another 900,000 housing units are planned to be built by 2001 as demand increases due to the disappearance of the extended family living under one roof.

Officials, however, hope that the city's population may reach only 12m, instead of the projected 14m, by the turn of the century if more people are encouraged to live outside the city's boundaries.

One means of further dispersing the population would be the construction of a high-speed rail link between Seoul and Pusan. This would bring the cities of Chonan and Taejon within 40 minutes' commuting distance of Seoul and make them more attractive places to live for those working in the capital.

But Seoul must still solve its transport problems, which now make commuting a nightmare. Its roads are inadequate to handle the vehicles that carry 75 per cent of the passenger traffic within the city. Congestion is becoming worse as the number of cars reaches 1.4m, although half of the 18m daily commuting trips in Seoul are still made on buses.

"Our most important project in the 1990s is to expand the subway system and make it the main means of travelling in the city," says Mr Chang Seok Hyo, director of the city planning division of the Seoul Metropolitan Authority.

The four lines of the Seoul subway, with 168.5km of track, now carry 25 per cent of the city's passenger traffic. Another four lines will be added by 1996 at a cost of Won6.6 trillion, increasing the size of the system to 332.6km. This should handle about half of the passenger traffic.

The addition of a further 120km of track by 2001, which will make the Seoul system as extensive as Tokyo's and one of the largest in the world, will raise its share of passenger traffic to 75 per cent, the same as that now handled by the Tokyo network.

But the system is already overwhelmed during rush hours, with passengers squeezed into carriages. Officials hope to add more carriages to trains and introduce more frequent services. Improved maintenance of carriages and the subway's power system will reduce delays.

But the importance of the subway system goes beyond reducing road traffic. The future growth of Seoul will be planned around it, with stations serving as the nuclei for new residential neighbourhoods. The subway will be connected to commuter rail lines, which also need to be expanded to reach outlying districts.

The city hopes to confine more road traffic to the suburbs and plans to build several circular roads to keep vehicles outside the centre. Another proposal to reduce surface traffic is the construction of four long road tunnels underneath central Seoul that would allow drivers to go quickly from one end of the city to the other.

The Won2.4 trillion project, however, has been criticised as wasteful. "There is opposition to it on both safety and environmental grounds," concedes Mayor Rhee, "but I believe that the critics are wrong." The city plans to start construction of the first tunnel in the second half of 1993.

The reduction of road traffic is seen as one means to lower air pollution levels. The Seoul master plan also calls for moving industrial plants away from the city. Other anti-pollution measures include replacing coal and oil as an energy source with liquid natural gas. Water quality will be improved with the construction of new reservoirs and sewage treatment plants. This follows the cleaning up of the Han River.

John Burton

Andrew Taylor looks at efforts to unblock the infrastructure

Obstacles to growth

SIT behind a crawling container truck choked by diesel fumes and dust on the 400km from Seoul and Pusan, and one becomes aware of the large sums of money South Korea needs to spend on improving its inadequate infrastructure.

The journey along the congested highway between the country's two biggest cities can be tedious.

In Seoul, the capital, congestion is even worse. The exhaust fumes of 1m cars hangs like a pall over the city for much of the year. Traffic jams cost hundreds of millions of dollars in lost production time adding to the discontent of a people that wants its standard of living to rise in line with economic growth.

The metropolitan area of Seoul houses 18m people, 43 per cent of the country's population, and accounts for 59 per cent of South Korean manufacturing output. Pusan in the south east is the country's biggest seaport. Traffic between the two cities, therefore, is large.

Central government has estimated that road congestion in 1990 cost the country Won1,300bn ($1.7bn) in wasted energy and lost time. The main Seoul-Pusan rail link has already reached maximum capacity increasing the potential for road congestion as distributors are forced to use container lorries.

South Korean infrastructure in many areas is struggling to cope with the rapid growth in the economy. Delays in cargo handling at the ports of Pusan and Inchon are estimated to have cost the country a further Won700bn ($1bn) in 1990. Kimpo airport, South Korea's leading airport handling 85 per cent of international passengers and 95 per cent of air freight, is forecast to reach its maximum capacity in 1996.

The need for increased infrastructure spending is undeniable. Without higher investment production bottlenecks will intensify and inhibit future growth. Social unrest also is likely to increase as living standards come under increasing pressure from inadequate services.

The government, in a bid to co-ordinate spending plans, has established a special task force under the president, the Planning Agency for Social Infrastructure Development (Pasid), to identify priority projects.

One of its major aims is to encourage greater investment away from over-crowded cities to less economically successful areas, particularly the south west of the country. Improvements in transport are regarded as essential.

The task force has proposed that Won40 trillion ($52bn) be spent by central government on infrastructure between now and 1996. More than half of this is planned to be invested in roads and railways.

About Won19 trillion ($24.6bn) is expected to be spent on constructing 450km of new roads and upgrading a similar length of existing roads. The programme includes beginning work on three new motorways. The most important is a 353km expressway, costing Won3 trillion, between Seoul and Mokpo in the south west, the region which has been identified by the government for expansion.

In the past, heavy emphasis has been placed on connecting Seoul with other cities. The latest crop of motorways will instead connect regional cities with each other including a 289km highway between Ch'unch'on and Taegu costing Won2 trillion and a 160km motorway between Taejon and Chinju.

Investment in the south west will be further aided by the expansion of Kwangyang which is intended to become a major seaport. There are also plans for increased spending water services, power generation and land development. The government hopes that this will encourage the private sector to invest in new factories, offices and homes in the south west as well as other less developed areas.

A further Won8 trillion ($10.3bn) is expected to be invested between now and 1996 on upgrading and electrifying South Korea's railway network including starting work on a high speed rail link between Seoul and Pusan which is expected to cost Won5.8 trillion ($7.5bn) when it is completed towards the end of the century.

Other high speed rail routes are planned including a link between Seoul and Mokpo but these programmes have still to be allocated a budget.

There is also substantial investment planned in improved water and sewerage facilities, a trebling in the size of the Seoul subway system and a large power station building programme. As a result central government spending on infrastructure as a proportion of GNP is forecast to almost double from 1.7 to 3 per cent between 1991 and 1996.

About Won7 trillion is planned to be spent on improving drinking water and installing new water services. The government intends to extend sewage treatment from about 35 per cent of the population to about 70 per cent by the mid-1990s.

The Ministry of Energy and Resources, which has a separate budget funded out of a special petroleum revenue tax, plans to invest Won70 trillion by the year 2000 on new power stations and transmission equipment.

The country currently runs nine nuclear power stations. Last year, these provided nearly half the country's electricity. By the year 2000, South Korea expects to have another 11 nuclear stations either built or under construction, making it one of the world's biggest users of nuclear power.

Funding such a vast programme will not be easy. Rising inflation caused by overheating in the economy means that the Korean government is seeking to slow down the overall rise in construction output while leaving infrastructure spending plans intact.

Restrictions on the issue of building permits for private residential and commercial development have been introduced in a bid to reduce activity.

The controls which had been expected to be lifted in the Spring have been extended. They are expected to remain in force at least until the end of the year – such is the difficulty of restricting rises in construction output which has been blamed for the doubling of the country's annual inflation since 1985.

The aim is to restrict real increases in construction output, after allowing for inflation, to between 3 per cent to 4 per cent a year between now and 1996. Current forecasts are that total construction output will rise by 7 per cent in real terms this year.

SOUTH KOREA'S rapid rise to a position in the world's top league of semiconductor producers is testimony to its ability to acquire, develop and manage high technology. Yet having scaled such technical heights in one of the most demanding industrial fields, it is in danger of lagging behind its competitors in the deployment of technology in the more mundane industries that make up the bulk of its export sector.

"Increasing the level of technology in every field of industry is our top priority," says Mr Choi Gak Kyu, deputy prime minister and head of the Economic Planning Board. "Every industry needs to upgrade its technology. We must deepen our industrial structure by substituting domestic output for imports of components and materials."

The big companies' profits went mostly into speculative property and stock market dealings

That industry is intent on applying more technology to offset higher labour costs is evident from a surge in factory automation equipment imports, much of it from Japan. These have been rising at annual rates of 20 per cent or more in recent years, according to government statistics, and could amount to more than $1bn in 1992.

Nor is there any doubt that technology transfer forms a part of virtually every industrial deal with foreign companies, though some observers doubt whether that such technology is always fully absorbed and efficiently employed.

The growing network of government research laboratories boasts "many people who are as good as any in the world", according to western diplomats. And industry spending on research and development has risen sharply in recent years.

But there are question-marks over the corporate sector's R&D efforts. Some observers point to the behaviour of many of the big companies in 1986 and 1987, when they were flush with cash. The profits then went mainly into speculative property and stock market dealings rather than into R&D.

Some Korean companies, such as Samsung Electronics, have earned international reputations for being at the cutting edge of semiconductor technology. But the evidence is less clear that companies across the board are investing the very large amounts in pure research and product development which would be needed to lessen their ties to foreign, and especially Japanese suppliers of components and high value equipment.

Mr Duck Soo Han, director general of the industrial policy bureau at the Ministry of Trade and Industry, accepts that the "technology gap won't be solved easily". But he contends that a combination of tax incentives, a government policy to encourage collaboration and the importation of key foreign technologies will help.

In addition, the government has identified strategic industries which it believes will be the basis for South Korea's

A two-inch flat screen from Samsung Electronics which is trying to lure back Korean-Americans to keep its technological lead

Industry seeks a wider technology base

Sharper edge needed

future competitiveness. These include the following:

- new generations of semi-conductors, including the development of a 64 Megabit Dram by 1993 and a 256 Megabit Dram by 1996;
- development of a variety of high definition television equipment, including HDTV monitors by 1993, transmission technology by 1994 and flat panel displays by 1997;
- the commercialisation of a multi-media computer by 1994.

Some critics, however, contend that the government plan is over-ambitious. One European engineer familiar with the HDTV programme, for example, believes that "only a half a dozen Korean engineers really understand the technology."

Mr Choi denies that the high technology effort is spread too thinly, noting that Korea's priorities fall well short of those in more developed countries, where the emphasis is on "fine chemicals, aerospace, biotechnology and new materials". He adds that "decisions on R&D projects should equally consider economic viability as well as technological feasibility."

The relatively thin layer of engineering talent in the country has caused some companies to search widely for new recruits. One of the most technologically advanced companies, Samsung Electronics, is seeking to lure Korean-Americans back to their former homeland. It is also trying to hire Russian scientists and engineers, either individually or as a team, though it has so far failed to reach any agreement.

"We don't care what nationality a person is," says Mr Hun Kim, a senior Samsung executive. But such sentiments may not be heard in the corridors of other Korean conglomerates, which have a reputation for being highly nationalistic.

They also have a reputation – among many western business executives at least – of being less than respectful of intellectual property rights and for being reluctant to pay for foreign technology.

This is particularly the case when they are buying the innovative engineering services which will be needed in ever-larger amounts, according to Mr John Lyle, Seoul branch manager of H.W. Structures, part of the UK's Hawtal Whiting Group.

He believes that the "complexity of design and development is rarely understood at government or senior management level", in large part because Korean industry has had a manufacturing bias.

"There is still an emphasis on importing licensed technology and manufacturing ready-made designs," he says. "Purchasing innovative engineering services costs money and sometimes the effort needed to develop these skills is not understood by Korean companies." But Mr Lyle believes Korean companies are beginning to understand that "if you pay yesterday's prices, then you get yesterday's technology".

The sheer size and dominance of Korea's big companies can also deter technology transfer. Dr Berthold Leibinger, president of the German Machinery and Plant Manufacturers Association, the VDMA, said recently in Seoul that German medium-sized companies found it hard to find suitable Korean partners. "It's very difficult for a German company with 500 or even 2,000 employees to deal with a Korean one employing 50,000," he notes.

Government policy is to encourage the start-up of small, innovative technology-based companies. But there may still be more than a grain of truth in the joke which asks:

'If you pay yesterday's prices, then you get yesterday's technology'

"What is the first thing a Korean entrepreneur does?" The answer is: "He goes to the States."

Mr Choi at the EPA accepts that the shortage of small specialist suppliers is a weakness which must be overcome, in part through a recently announced loan programme. But government officials believe long-term technological competitiveness can only come through the reform of the chaebols into more focused entities.

RC

The motor industry is striving to reduce dependence on foreign suppliers, writes Robert Corzine

The All-Korean car is still some way off

SOUTH KOREA'S car manufacturers offer a case study of the challenges which face the country's industry as a whole. All need to upgrade technology, lessen dependence on foreign suppliers, diversify markets and establish new relationships with their labour unions. And they need to overcome a period of economic uncertainty, both at home and in their main export markets.

The myriad alliances, technical co-operation agreements and joint ventures that bind Korea's carmakers to the world's leading manufacturers will remain a hallmark of the industry for years to come. The advent of an "all-Korean" car created from a "clean sheet of paper will have to await the next century", says one western expert.

But the need to reduce dependence on foreign, and particularly Japanese partners or suppliers for everything from basic designs to key components is a priority for all manufacturers. So, too, is the need to move away from a manufacturing bias, towards greater emphasis on higher value activities such as design and product development.

Such a task will be neither easy nor cheap. "Unlike Japan, Korea has only pockets of automotive expertise", says Mr John Lyle of the UK's Hawtal Whiting Group of consulting engineers. "When we started (in Korea) we noticed our clients' engineers did not gain much by studying the design process because priority was given to developing products quickly."

'Unlike Japan, Korea has only pockets of automotive expertise'

However, companies such as Hyundai, the industry leader, have invested heavily in research and development facilities, where "massive teams are using state-of-the-art technology to develop new vehicles," according to Mr Lyle.

He predicts that the effort will result in "a new range of Korean products in the next five years", including light commercial vehicles and heavy trucks. "They will all be new designs or vehicles based on better platforms than exist now," he says.

The emphasis on independent projects stems in part from Korean dissatisfaction with the high cost of royalties paid to foreign suppliers and the limitations of technology transfer through the main international alliances in the industry – Hyundai with Japan's Mitsubishi, Kia with Ford and Mazda and Daewoo's now-defunct link-up with GM. But few observers expect that Korean companies will be able to catch up in all areas.

"Great advancements have been made," says Mr Dong Wha Lee, director of the Korea Autombile Manufacturers Association, who cites the introduction last year of a Hyundai-developed engine, and similar programmes in place at Kia and Daewoo. But he concedes that the industry "still lags behind" its international competitors in many areas. These include systems such as air bags, anti-lock braking systems and four-wheel drive.

Less environmentally damaging cars are beyond Korea's technical capabilities

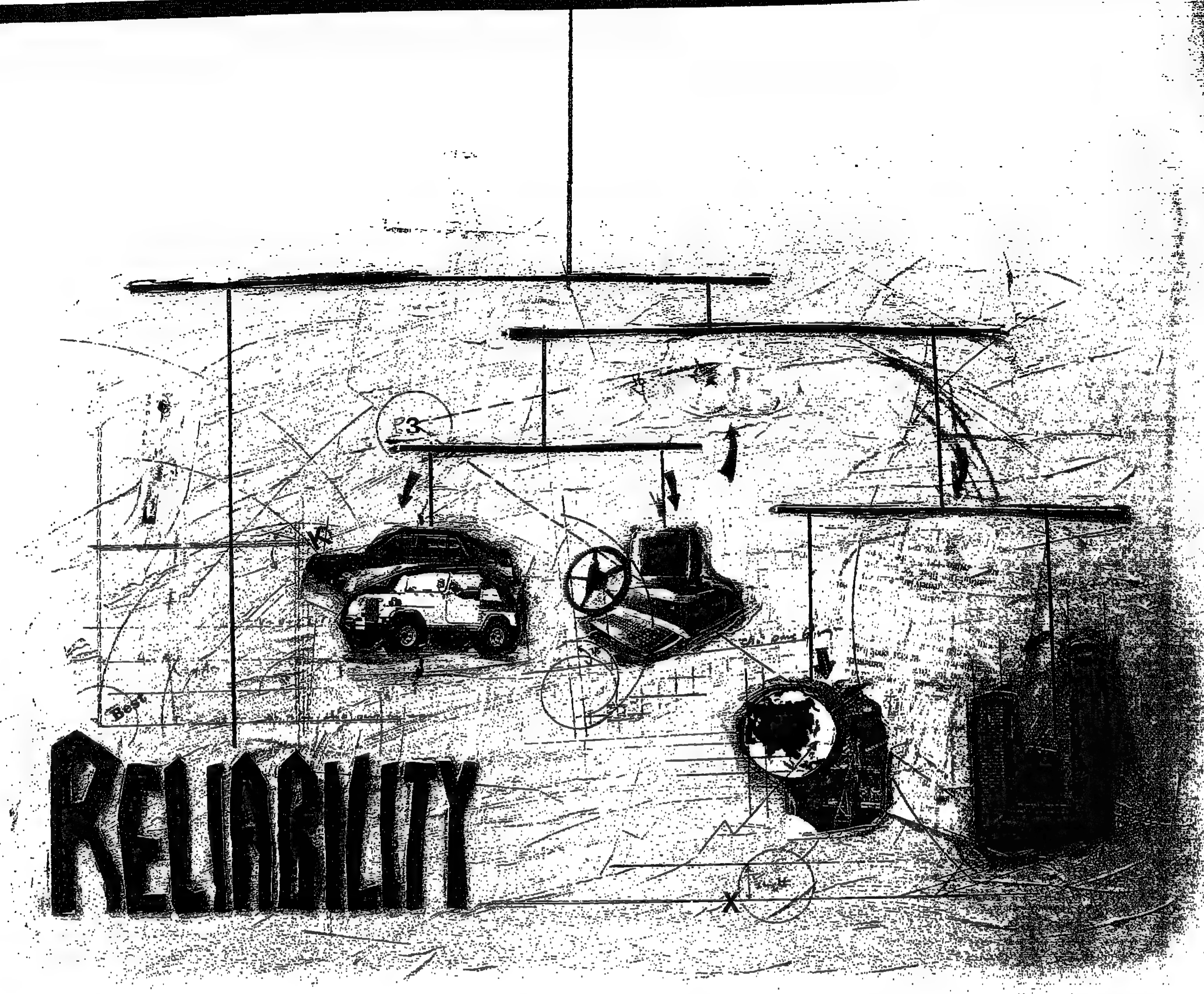
Perhaps more worrying for Korea's technology effort, however, is the international trend towards less environmentally damaging cars, the development of which is beyond Korea's technical capabilities.

The quantum leap in the technical quality of Korean cars in recent years has been matched by moves to upgrade their image in key export markets, though that effort suffered badly when labour disputes affected the build quality of Hyundai cars sold in the US.

Mr N.M. Kim, Hyundai's managing director for export marketing, acknowledges that "we have a perception problem in the US", where export sales dropped from 260,000 units in 1986 to a current rate of just over 120,000 a year.

But he argues that the launch of the Elantra, which some experts describe as "Korea's first good car", will improve Hyundai's US image.

Mr Kim also believes that Korean manufacturers must move away from the "price-value market strategy", which has focused on undercutting the price of rival products.


RELIABILITY

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INSIDE

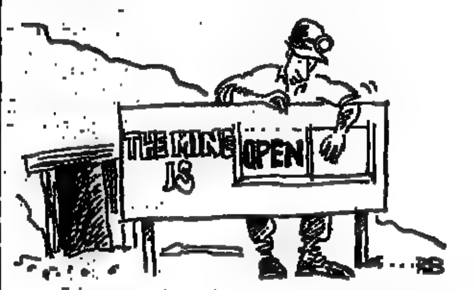
JAL swings into loss of Y6bn for year

Japan Airlines, the country's leading international carrier, yesterday reported a pre-tax loss of Y6bn ($46.1m) for fiscal 1991 due to a slump in foreign business travel and rising operating costs. JAL, which had a profit of Y24.8bn in 1990, forecast it would break even in the current fiscal year. Meanwhile, All Nippon Airways, Japan's largest domestic airline, announced pre-tax profits down 11.6 per cent to Y22.4bn. Page 20

Sprint tries to rally support

Sprint, the US long-distance telephone company, and Centel, a large Chicago-based local and cellular telephone company, were yesterday battling to counteract investor hostility to the $2.8bn merger they announced on Wednesday night. Page 19

Reopened for business



It's hard to keep a good mine down. Malaysia's Sungei Lembing tin mine is just that. Abandoned during the Japanese military occupation, it was reopened at the end of the Second World War but was closed again in 1987. But with the recent recovery in tin prices, a Chinese-Malaysian partnership has reopened the mine and has long-term plans to bring the entire complex back into operation. Page 32

Canadian manoeuvres

Far from rejoicing, Canadian banks are hopping mad. Vigorous lobbying by the insurance industry has resulted in last-minute changes to next Monday's financial service reforms – which were meant to signal the entry by the banks into the insurance and fiduciary services. For once, the Canadian banks appeared to have been outmanoeuvred in their political lobbying. Page 21

M&G pre-tax profits up 9.5%

M&G, the UK fund management group, yesterday announced a 9.5 per cent increase in interim pre-tax profits to £19.9m ($35.8m). Funds under management were £8.64bn compared with £9.01bn at September 30, largely reflecting poorer stock markets. Mr Paddy Linaker, managing director (left), said unit trust sales were poor, with redemptions of £203m outweighing sales of £156m. Page 25

South-West Water rises 2%

Price increases and cost-cutting helped South-West Water, the UK regional water company, achieve a 2 per cent rise in pre-tax profits last year, after spending £173m ($311m) in the third year of a £2bn capital investment programme. Page 24

Market Statistics

Chief price changes yesterday

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Kellogg	57⅞	+	1⅞	Ask	515	+	44
Pepsico	35½	+	¼	Hotta Tex	235	+	18
Quaker Oats	55⅝	+	⅝	Iwaki Glass	560	+	60
Falls				Jeol	830	+	100
Centel	31⅝	–	10⅞	Shikoku Chem	600	+	49
McCaw Cellular	26⅞	–	2⅛	Shirolu	484	+	45
Sprint	22⅞	–	1⅝				

New York prices at 12.30. Paris and Frankfurt closed.

LONDON (Pence)							
Rises				Cable & Wire	575	–	13
Acatos&Hutcsn	120	+	23	Clarke Nckls	17	–	4
Aran Energy	18½	+	2	Expedier	6	–	2½
Archer (AJ)	45	+	3	P & O Defd	517	–	12
BAT Inds	807	+	22	Ratners	15	–	1¾
Bailie&Tech	15	+	4	Rosehaugh	6¼	–	¾
Feedback	40	+	5	Siebe	724	–	27
Falls				Spearhawk	8½	–	1
Amber Day	59	–	7	Tiphook	429	–	29
Body Shop	298	–	20	Warburg (SG)	571	–	15
British Steel	77½	–	5				

Plunge in Tokyo financial markets, bad loans and higher costs take toll at year-end

Profits continue to fall at Japanese banks

By Stefan Wagstyl in Tokyo

THE leading Japanese commercial banks yesterday reported a decline in annual pre-tax profits for the third year in succession, due to the combined impact of the plunge in Tokyo financial markets, an increase in costs and a rise in write-offs on bad loans.

These effects more than offset a substantial increase in income from lending operations, which benefited from a sustained decline in interest rates and a widening in lending margins.

Net business profits – a measure of profits from lending operations – increased 31.5 per cent to Y1,922bn ($14.58bn), but pre-tax profits for 11 leading banks fell 14 per cent on a non-consolidated basis to Y1,426bn. After-tax profits fell 26.9 per cent to Y647.6bn.

The results are in line with Ministry of Finance estimates which were published a month ago in order to reassure investors and financial company managers about the health of Japanese banks.

Combined bad-debt provisions rose fivefold to Y344.1bn. The levels remain low in relation to estimates circulating in Tokyo of total bad and doubtful loans, including loans made to the troubled Japanese property market.

The finance ministry has estimated publicly that the 21 largest Japanese banks (including the 11 commercial banks) had bad loans of between Y7,000bn and Y8,000bn at the end of March. This covers loans on which interest has not been paid for six months or more.

Other estimates have run as high as Y30,000bn and more. However, these estimates do not take account of the potential value of collateral.

JAPANESE BANK RESULTS (Ybn)

	Net business profits	% chg	Pre-tax profits	% chg	BIS ratios*
Daiichi Kangyo	216.62	+44.3	145.29	-23.9	8.24
Sakura	193.25	+95.7	162.06	-4.9	7.92
Sumitomo	299.56	+13.8	221.99	-11.8	8.43
Fuji	222.76	+27.0	162.26	-21.2	8.04
Mitsubishi	212.38	+31.7	168.83	-8.3	8.20
Sanwa	272.18	+29.5	207.36	-8.5	8.10
Tokai	95.09	+27.6	94.95	-15.3	8.38
Kyowa Saitama	132.05	+24.8	85.58	-21.2	8.30
Daiwa	67.77	+34.1	62.32	-20.7	8.27
Hokkaido Takushoku	34.94	+27.4	30.31	-15.0	8.26
Tokyo	175.906	+21.4	85.34	+0.1	8.10

*Capital adequacy ratios (%) on BIS final basis as at March 31 1992

Japanese banks do not generally write off debts if there is a possibility of eventually recovering the money – even if that recovery is several years away. This accounts for the discrepancy between estimates of problem loans and the actual provisions revealed yesterday.

Three banks made separate provisions for losses arising from fraudulent loan cases which came to light last year. Fuji Bank set aside Y142.8bn, Tokai Bank Y49.5bn and Kyowa Saitama Bank Y8.2bn.

Mr Ryuichi Kato, Tokai chairman, resigned his title (though not his board seat) to take responsibility for the bank's poor performance. Three other Tokai board members also resigned.

Losses on securities portfolios, at Y828.7bn, were 11 times higher than in 1990-91, reflecting continuing stock market weakness.

Because banks count a portion of their stock portfolios as capital, the fall in portfolio values reduced capital reserves. As a result, there was a deterioration in banks' ratios of capital to assets calculated under Bank for International Settlements rules. But only Sakura, with a ratio of 7.92 per cent, failed to make the 8 per cent minimum the BIS will bring into effect next year.

Meanwhile, as the bankers grapple with the problems of past loans and investments, their efforts to improve returns from current business is bearing fruit – as shown in the increase in net business profits.

Mitsubishi Bank said the increase was due to a substantial fall in interest rates coupled to the adoption of an improved system for pricing loans and better marketing of high-margin consumer loans.

The banks, which are trying to limit asset growth to meet BIS ratios, restricted loan growth to 2.9 per cent. Loans fell at Sakura by 0.9 per cent and at the Bank of Tokyo by 1.2 per cent.

Sumitomo Bank kept its place as the most profitable bank, followed by Sanwa Bank and Fuji. The Bank of Tokyo was the only bank to post an increase in pre-tax profits, albeit marginal.

Sumitomo also retained its lead in international revenues, with the Bank of Tokyo in second place.

Strains in the banking system, Page 14

Prospect of collapse keeps Sorrell on top

Bankers debating WPP's recapitalisation have to consider the fate of the group's chief executive

WPP, the international marketing services group, gives a twist to the old adage that if you owe a bank $10, that's your problem, but owe it $1m and the problem is the bank's.

If, like WPP, you owe your banks $1bn and you have almost no assets except creative people, then it is not so much a problem, more a process of working towards mutually agreed long-term solutions.

WPP is now awaiting final approval from 24 of its 28-bank syndicate for a recapitalisation plan announced on May 13. The deal is that WPP's bankers subscribe to a rights issue of £150m ($270m), to be used to eliminate about 25 per cent of WPP's debt.

Once the banks have agreed – and only a couple with relatively small exposure may resist – shareholders will have the right to vote on the proposal. By July, the banking syndicate could own as much as 55 per cent of WPP in the planned equity-debt exchange.

Some 55 per cent of a company with a net worth of less than zero hardly seems attractive. There are least two substantial puzzles to the refinancing of WPP. Why are the banks not sending in the receivers? And how has Mr Martin Sorrell, WPP's chief executive, held on to management control?

The sympathetic view of WPP is that it is a nebulous, intangible beast, totally dependent on the creative drive and persuasive abilities of its employees. Breaking it up and selling it off would therefore fail to realise anything like the total debt.

If it became known that, for example, Ogilvy & Mather was up for sale, who would bid anything near the $864m which Mr Sorrell paid for it in 1989?

The man at WPP's helm inspires mixed feelings, writes Gary Mead

WPP certainly is a giant with feet of clay; its market capitalisation, less than £50m, is puny, yet it is still a revenue machine – £1.2bn in 1991 – with potential for much more once the recession is over.

Ms Lorna Tilbian, analyst with S.G. Warburg, also feels that in the present flurry "it is easy to overlook the fact that the main companies in the group are still trading profitably, which is not the case for a lot of others in the advertising business. If it is possible to fault Martin Sorrell, then the purchase of Ogilvy & Mather can be seen to have been a mistake. But the banks then fell over themselves to lend him the money."

That is part of the reason why Mr Sorrell has managed to stay at the helm. Another is that he would be a hard act to follow. According to Mr Richard Dale, analyst with Smith New Court: "Martin Sorrell is the man who does know the company better than anyone and it would be difficult to replace him. But what is necessary and would be welcomed by institutions, and probably the banks too, would be another senior executive on the board."

There is no obvious internal candidate to replace Mr Sorrell. Mr David Ogilvy, WPP's 81-year-old non-executive chairman, spends most of his time in his château in France. Apart from Mr Sorrell, there are only two other executives on the board.

Mr Sorrell has a reputation for devoting himself to only two things in his life; his family and WPP. Even his detractors – of whom there are many among former WPP executives – admire his dedication, first to building the WPP empire, and now to keeping it from toppling over.

Still, for a man sitting on the top of a heap of "people" businesses, Mr Sorrell has a poor reputation when it comes to handling people.

An ex-WPP colleague says: "He is a very complicated man who has trained himself in self-control; he tightly controls how he looks, what he does and says." That made dealing with him difficult.

Mr Sorrell's strongest card, in talking to the banks, may have been the argument that if he went, the edifice would quickly crumble. Senior executives within the main companies – JWT, O&M and the public relations company Hill and Knowlton – would sniff the chance of management buy-out possibilities or be tempted away by rivals, once the group's moving spirit had gone.

Another card in Mr Sorrell's hand has been the bleakness of the outlook for the industry as a whole. There is no sign that advertising spending will rapidly pick up this year; 2 per cent worldwide in real terms is the betting at the moment.

Against this background, the banks' best chance of recovering their money is to to dig in now, in hope of selling bits of the company over the next five years. That argues against immediate management changes.

When the recession ends, and advertising revenue starts rising again, the banks may scent a chance of selling for a reasonable price.

At that point, the debate will re-open about whether large marketing groups add value to the activities of their subsidiaries – a question on which Mr Sorrell may find he holds markedly different views to his new majority shareholders.

Ashley Ashwood

Martin Sorrell: even his many detractors admire his dedication to his company

MEPC adds to gloom in UK property with 13% fall

By Tim Dickson in London

MEPC, the UK's second largest property company, yesterday reinforced the mood of gloom in the UK property market and hinted that profits for the year to end September may be lower than they were in the previous 12 months.

"Recent events in the UK property market are unlikely to lead to an early improvement," Sir Christopher Benson, MEPC's chairman, warned in a statement accompanying the half-year report.

"The outlook for the current year is tempered by the virtual elimination of opportunities to realise trading profits, particularly in the UK, and, with the receipt of investment income on new lettings delayed due to current market conditions it will be difficult to repeat the level of profit achieved last year."

MEPC said its rental income in the six months to March increased by 6 per cent to £158.1m ($284.6m), but after higher finance charges of £45.7m (£35.9m) pre-tax profits were 13 per cent lower at £58.6m.

The group does not publish a revised net asset value – one of the most widely watched numbers – at the half-way stage.

Earnings per share for the period were 12.4p, compared with 14.2p last time, while the interim dividend has been maintained at 5.25p.

The company said that eight of the nine UK developments under construction at the beginning of the year were now complete, but that "the letting of developments completed in 1991 and 1992 has been slow, particularly in the City of London."

At Alban Gate, the City of London development, MEPC has so far let only 40,000 sq ft of the 400,000 sq ft available.

The group said yesterday that its investment portfolio had produced a "solid performance". In the UK, increased rents had been achieved on review and new rental income was beginning to flow from developments completed last year, though such increases were offset by sales of investment property.

Vacancies in the investment portfolio fell slightly to 3 per cent, while the incidence of bad debts was "not significant".

MEPC's shares yesterday rose 2p to 355p.

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Thorn bolstered by music division

By Richard Gourlay in London

THORN EMI, the UK electrical and entertainment group, yesterday reported a slight fall in profits in the year to March, bolstered by a strong performance from the music division.

Although the recession hit rental income, group pre-tax profits fell only from £258.6m ($465.5m) to £255.1m. Sales were up 8 per cent, at £3.95bn.

Earnings per share fell from 54.1p to 48.5p. Final dividend is 21.5p, making a total of 30.1p for the year – up 3 per cent on last year after adjustment for the rights issue that funded the £510m acquisition of Virgin Music Group earlier this year.

The group's decision to pull out of electrical retailing led to a £42.5m extraordinary charge and a £20.8m write-off of advance corporation tax. Disposals of other businesses and the restructuring of Thames, the television company in which Thorn has a controlling interest, brought total charges to £130.1m before an extraordinary gain of £34.3m from the sale of the software business to management.

On the operating side, the music business made profits of £125m, up from £109m, on record sales of £1.13bn after the company bought the 50 per cent of Chrysalis Records and SBK Records it did not already own. Thorn will begin to integrate Virgin Music next Monday, on completion of the purchase.

While sales volume fell, profits rose because of a higher percentage of sales in higher value CDs.

The decline in consumer confidence and the decision to pass on higher VAT – unlike competitors Granada – hit the rentals division, where profits fell from £139.6m to £124.2m on sales of £1.1bn. Tight credit controls and maintenance of high prices meant the division was a "tremendous cash generator", said Mr Colin Southgate, chairman.

Other businesses, including lighting, security systems and defence, continued to underperform, making only £52.9m profit – down from £69.4m on sales of £1.07bn, but still about one third of the group total. In particular, the security division, comprising 23 different businesses, suffered. New management has been brought in to consolidate the number of operating centres.

Mr Southgate said that while all the businesses apart from music and rentals were for sale, the group would only consider offers for entire businesses.

Thorn's share price shed 10p to 835p.

Lex, Page 16

O&Y says restructuring of parent will go ahead

By Bernard Simon in Toronto

OLYMPIA & YORK said yesterday the appointment of an administrator for Canary Wharf, the property development in east London, should not affect the restructuring of the Canadian parent company and its other assets in Canada.

Mr David Brown, who heads O&Y's legal team, told a court in Toronto the Canadian companies had sufficient funds to maintain their operations during the restructuring.

O&Y revealed in court documents that it expected to spend almost C$17m (US$14.1m) over the next five months on restructuring costs. Legal and accounting fees alone will make up about two-thirds of the total.

O&Y's Canadian operations were placed under court protection on May 14 under the Companies' Creditors Arrangements Act. Its US operations were not affected.

Mr Brown reaffirmed that the company would try, as far as possible, to separate the restructuring of its businesses in Britain, Canada and the US.

O&Y told the court it had lowered its estimate of its worldwide debt to C$13.5bn from C$14.9bn. Some C$6.6bn of the total applies to the Canadian operations.

Various creditors have submitted a total of 19 motions to the court, either seeking to safeguard their claims to O&Y assets or to carve out various assets from the CCAA order.

O&Y and its large lenders submitted detailed proposals to the court to segregate income from the company's various Canadian buildings and investment holdings. The proposal would involve setting up 32 separate bank accounts. Balances in each account would be paid out to the creditors in July, when O&Y is due to file a detailed debt restructuring plan.

Mr Brown said the company was committed to an "equitable" sharing of funds raised from asset sales.

The restructuring cost estimates were contained in the first report submitted by Mr Bernard Wilson, the Price Waterhouse partner acting as "information officer" between O&Y and the creditors.

Mr Wilson's report provides the first public glimpse into details of O&Y's operations. It gives detailed projections for all O&Y's Canadian assets, as well as dividend receipts from its portfolio investments.

CIBC hit by C$860m exposure

By Bernard Simon

CANADIAN Imperial Bank of Commerce, the biggest lender to Olympia & York, has written off most of its C$860m (US$723m) exposure to the ailing property developer.

CIBC, which has taken a hard line in debt-restructuring negotiations with O&Y, is understood to be among the banks which refused to meet the company's request for a large new infusion of funds for Canary Wharf, the east London property development which went into administration yesterday.

As a result of the provision, the bank suffered a loss of C$440m, or C$2.55 a share, in the three months to April 30, compared with earnings of C$186m, or 90 cents a share, a year earlier.

CIBC said that despite the big second-quarter loss, it was confident it would be in the black for fiscal 1992 as a whole. It has no plans to cut its dividend. The bank earned a record C$811m in the year to October 31, 1991.

About half the C$860m O&Y portfolio was advanced for Canary Wharf, with the rest split between properties in the US and Canada. The bank said virtually its entire portfolio of O&Y loans was secured "in form or another".

The decisive write-down is expected to reinforce the bank's determination to move quickly away from the O&Y issue. Mr Paul Reichmann, O&Y's co-owner and master strategist, was, until two months ago, a CIBC director.

Mr Donald Fullerton, who retires as CIBC's chairman next week, said the bank considered the provision sufficient to "cover a wide range of developments" and "to put the O&Y problem behind us".

The O&Y provision makes up the bulk of a special C$1bn charge against CIBC's second-quarter earnings. It also includes sour loans to the Goldberg group in Australia and provision for further losses due to weak business conditions in North America.

Provision of C$200m at chartered bank

NATIONAL Bank of Canada, the country's sixth largest chartered bank, says its loans to Olympia & York Developments and group affiliates totalled C$473m (US$394.1m) at April 30, writes Robert Gibbens.

The bank has made a C$200m special provision for fiscal 1992 to cover possible losses. It has also classified C$210m of O&Y loans as non-performing.

The bank said the exposure included loans to O&Y group affiliates such as Gulf Canada Resources and Abitibi-Price, as well as loans made earlier this year for work at Canary Wharf.

The impact of the O&Y provision, and strong competition in domestic markets, brought a 41 per cent fall in earnings for the second quarter ended April 30 and a 25 per cent decline in the first half of fiscal 1992.

Second-quarter profit was C$29.8m, or 16 cents a share, against C$50.3m, or 38 cents a share, a year earlier. First-half profit was C$79.6m, or 46 cents a share, against C$105.6m, or 69 cents, a year earlier.

Magna net for quarter surges to C$30.5m

By Robert Gibbens in Montreal

HIGHER North American car production and lower interest rates helped Magna International, Canada's biggest independent car and parts maker, to achieve a fourfold jump in third-quarter profits. The surge came on a 27.5 per cent gain in sales.

Magna, which also operates several plants in Europe, reported net profit of C$30.5m (US$25.40m), or 89 cents a share, for the April 30 quarter, up from C$4.4m, or 16 cents, a year earlier. Sales were C$632m against C$495m.

In the first nine months of fiscal 1992, Magna earned C$86.7m, or C$2.13 a share, against C$4.9m, or 18 cents a year earlier, on sales of C$1.7bn against C$1.5bn. At April 30, Magna's debt-equity ratio was 1.1:1, marking a fast turnaround from its financial crisis of 1989-1990.

Fiat signs $2bn Polish agreement

By Anthony Robinson

FIAT last night confirmed its dominant role in the Polish car industry by signing a $2bn deal giving it a 90 per cent stake in Fabryka Samochodow *Malolitrazowych (FSM)*, Poland's largest maker of small cars.

The deal follows years of negotiations with the Polish company in which Fiat has already invested heavily to produce 160,000 new Cinquecento cars a year for domestic and export markets.

The Polish government, which retains the remaining 10 per cent stake in the company, earlier approved a package of tax concessions while Fiat took over the company's estimated $100m domestic debts and agreed to repay an estimated $800m borrowed to finance modernisation and the Cinquecento programme.

Doing business grandfather's way

Tom Burns finds Spain's March family reviewing its investments

THE March family, one of the wealthiest in Spain, sits down every 15 to 20 years to think about where it is and where it is going.

As its latest strategic review draws to a close, the family has announced the sale of Banco de Progreso, its merchant bank subsidiary. The disposal will bring the family's war chest for new investments up to more than Pta70bn ($687m).

Some hurdles remain on the way to the rich new pastures the March clan is seeking. The family is still stuck with Uralita, a loss-making industrial holding. It also has to mould Banco Urquijo, a middle-sized and unexciting retail bank that it owns, into the vehicle for corporate business that Progreso has become.

The present minders of the family fortune are the brothers Juan and Carlos March, the grandchildren of the legendary Juan March, who gave financial backing to General Franco in the Spanish Civil War. The brothers refer constantly to "the way grandfather did things".

"Grandfather" taught them the value of having money in their pockets, which means they remain traders of companies rather than long-term, committed investors. They make a distinction between "real" cash-flow, meaning money they can walk away with, and "false" cash-flow, funds that are locked into an asset. The value of diversification to spread the risk was another lesson he taught them.

The sale of Progreso to the Barcelona savings bank, La Caixa – in which it will buy the 70 per cent the family owns and launch a formal takeover for the rest – will raise the family some Pta12bn.

There was a similar return three months ago when it disposed of a 15.5 per cent stake in Signet Corporation, its financial arm in the US. Further boosting the war chest this year, the family has sold an electricity utility to Endesa, the state-run power group, for Pta40bn, and it has realised a further Pta14bn with the sale of its interests in the San Miguel brewery to the French BSN group.

The scale of the disposal programme is equivalent to the one undertaken by the two brothers in the mid-1970s. Well-schooled by their grandfather to run the family empire following the early death of their father, Juan and Carlos March then pulled out of capital-intensive industries, including nuclear power stations, and sold Transmediterranea, a large shipping firm.

Because they were able to skip so nimbly in front of other investors and ahead of recession in the 1970s the brothers' new strategy for the 1990s is being watched closely by would-be peers in Spain.

There are, however, no real surprises in the investments being eyed. The four main sectors are distribution, communications, environment – specifically waste management – and leisure. These are exactly the targets that Spain's large banking and industrial conglomerates, such as Banco Bilbao Vizcaya and Banesto, have within their sights.

Where the March group scores, in addition to its "real" cash-flow and its tight family ethos, is that it is already well-positioned in these sectors.

Two months ago, using Corporacion Alba, the publicly-quoted holding that it controls, the family partnered the French Carrefour corporation in a Pta25bn capital increase for Pryca, a large domestic distribution chain that the March group set up with Carrefour on the back of the 1970s disposals. The brothers also intend to increase the family's 15 per cent stake in Canal Plus, a subscriber television network which they view as a magnificent business.

The environment and leisure interest are at present centred on the Mediterranean island of Mallorca, the birthplace of grandfather Juan March and the home of Banca March, a small banking subsidiary that the brothers term their only "sentimental asset".

The family could increase its minority partnership in a hotel interest that controls 10,000 beds on the island, and they are bidding for waste disposal concessions that will keep the waters clean and the tourists coming.

The main thorn in the brothers' side is Uralita, the family-controlled construction and chemical group which began to haemorrhage badly last year when its posted losses of Pta521m against 1990 profits of Pta5.9bn.

Uralita, which has been badly hit by the reduced earnings of its PVC manufacturer, Aiscondel, is the sort of business that the brothers increasingly dislike. They get nervous about cyclical losses that cannot be blamed on management and they are averse to "false", or locked-in, cash-flows.

Unfortunately for the brothers, potential buyers of their industrial holding are likely to feel the same way.

Amoco forced to scale back capital spending

By Alan Friedman in New York

AMOCO, the US oil and gas company suffering from reduced profit margins, has become the latest energy group to scale back its planned 1992 capital and exploration spending.

The company said it would cut 1992 spending by 12 per cent, from $3.7bn to $3.26bn. The scheduled 1992 budget was already lower than the $4.16bn allocated last year.

Amoco has also told its 54,000 employees it may seek some job cuts later this year.

Like Mobil, Texaco and other US energy groups, Amoco is feeling the effects of a weak US economy, low energy prices, and lower demand for a range of it petroleum products.

The US energy sector is generally seeking ways to reduce overheads, through redundancies, plant closures, deferred project investments and immediate cuts in capital expenditure.

Amoco's decision to cut spending comes in the wake of a 52.4 per cent drop in its first-quarter net earnings, to $234m. Earnings at most US oil and gas companies are expected to continue to decline during the second quarter of 1992.

Saffa holds dividend despite profits decline

By Haig Simonian in Milan

SAFFA, the Italian boxboard and packaging company controlled by the Bonomi family, yesterday reported a 13.8 per cent fall in consolidated group profits, to L22.4bn ($18.2m) last year from L26bn in 1990.

The group, which has transformed itself in the past 18 months with the sale of its paper activities and concentration on the boxboard business, is paying an unchanged dividend of L420 for ordinary shares and L440 for savings stock.

Adjusted for disposals, group sales rose by 21 per cent to L655.7bn, while profits at parent company level went up by 5.9 per cent to L27.1bn.

The company, which is now the second biggest boxboard maker in Europe, confirmed it wanted to raise its market share by increasing its own productive capacity and by buying stakes in other manufacturers.

● Fiat may restructure its car production, leading to a cut in the workforce, Mr Giovanni Agnelli, chairman, said yesterday, Reuter reports from Rome.

An Italian newspaper earlier reported that Fiat intended to close its Chivasso car plant as a cost-cutting move. The closure would not affect actual car production.

Investors hostile to Sprint merger proposal

Martin Dickson explains why Wall Street has not welcomed the $2.8bn Centel deal

Sprint, the US long-distance telephone company, and Centel, a large Chicago-based local and cellular telephone company, were yesterday battling to turn back a wave of investor and Wall Street hostility to the $2.8bn merger they announced on Wednesday night.

The deal put a value on Centel far lower than its recent share price had indicated. Centel's stock plummeted yesterday morning and the share prices of most other US telecommunications companies also dropped as the market puzzled over their worth.

Mr Jack Frazee, chairman of Centel, insisted at a news conference that the merger – to be achieved by a share swap – was "the most financially attractive deal for shareholders right now" and offered important long-term advantages.

The deal is the latest example of a wave of consolidation sweeping through the US telecommunications industry, thanks to technical, regulatory and financial change. If it goes through, it would create a unique business – the only US company operating in all the three major telecommunications markets: long distance, local and cellular.

But Wall Street analysts said the pact, which requires the approval of a majority of Centel shareholders, might be rejected by them, and several major investors expressed anger over the terms.

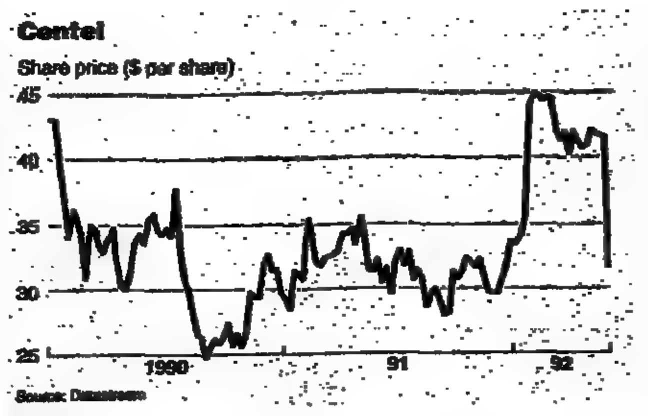
Mr Kenneth Leon, an analyst at Bear, Stearns, said: "I do not find the merger attractive and believe the company's shareholders will reject it.... I feel the company is worth much more."

The merger, which the two companies stress would be tax free to shareholders, involves the conversion of each share of Centel's common stock into 1.37 shares of Sprint stock and would leave Centel shareholders with around 35 per cent of the combined business.

Yesterday morning Sprint shares dropped $1¾ to $23¼, valuing each Centel share at $31⅞ and the whole group at $2.69bn.

However, many analysts had previously put a break-up value of $4bn or more on Centel and on Wednesday, just before the merger announcement, the shares had closed at $42½. By yesterday lunchtime they were down at $32¼.

The combined group will be called Sprint, and Mr William Esrey, Sprint's chairman and chief executive, will retain these titles. Mr Frazee will become president and chief operating officer, and Centel will get six seats on a 16-person board.



Source: Datastream

Sprint is the third largest long distance carrier in the US, where it has faced an uphill battle competing with industry leaders American Telephone & Telegraph and MCI. It also operates local phone services in 17 states, serving more than 6m access lines.

The acquisition of Centel will add another 1.6m local access lines in six states – four of them common to Sprint – and take Sprint back into the fast-growing cellular market, where Centel serves areas with a population of 20m. Ironically, Sprint sold its cellular business to Centel several years ago.

Mr Esrey said the combination of the local businesses would give Sprint "real critical mass" and produce increased efficiency and lower costs. He hoped eventually to save around $100m a year in operating costs, including a reduction of around 1,000 in combined employees. *Sprint has 43,000 workers and Centel 9,300.*

He added that the US would increasingly see a "blurring of the boundaries" between local telephone companies, long distance ones, cellular communications and the cable television industry. The Centel deal meant Sprint would have a head start in this process, and would be able to offer customers "one stop shopping".

Many analysts agree the US industry is heading gradually in this direction, although there remain formidable regulatory barriers to the process.

The 1984 anti-trust break-up of AT&T, or Ma Bell, which used to provide both long-distance and local services, prevents AT&T from entering the local market and the so-called "Baby Bell" regional companies, which were spun out of it, from entering the long-distance market.

However, these restrictions do not apply to the non-Bell companies which provide a substantial part of America's telecommunications services.

Several other large telecommunications companies expressed interest in buying parts of Centel, but not all of it, and Mr Frazee said he had been surprised that the bidding had not been more active.

"There has been widespread speculation on the value of local telephone company assets. These have all been changed with this process," added Mr Esrey.

However, some Wall Street analysts argued that Centel had chosen to put itself on the market at a poor time, when other large telephone companies were already absorbed with recent acquisitions.

Novell surges on growth of network computing

By Louise Kehoe in San Francisco

NOVELL, the US computer networking software company, reported a 50 per cent jump in revenues for its second quarter, with earnings up 60 per cent as the company continued to benefit from rapid growth in network computing.

Net income rose to $61.3m, or 40 cents a share, from $38.4m or 26 cents. Revenues for the quarter were $225m, up from $150.2m last time.

In spite of the strong performance, Novell's stock price was down yesterday morning on news of the results. Wall Street analysts had hoped the company would outperform their projections.

Novell aimed to expand its sales further by providing operating system software for networked desktop computers, said Mr Raymond Noorda, chairman, president and chief executive.

For the first six months net income increased 65 per cent to $113.5m from $68.9m, while income per share was 74 cents, up from 47 cents. Revenue was $430m, against $284.8m in the same period last year.

Total revenue growth for the half year reflects a 37 per cent rise in sales of network computing software.

Sales outside the US increased 65 per cent in the second quarter to $104m. For the first six months of fiscal 1992, international sales were $207m, accounting for 48 per cent of total revenue.

JVC, Hughes in video venture

HUGHES Aircraft of the US and Victor Co of Japan (JVC) are forming a joint venture to make video projectors, Reuter reports from Tokyo.

Sales of projection television equipment are expected to take off with the introduction of advanced television systems in the 1990s.

The new California-based company, called Hughes-JVC Technology, this autumn will start marketing a professional model of a projection TV, which shines a video image on a large flat screen.

Additional models will follow next year and a consumer version is due in 1994.

The projectors are based on liquid-crystal light valve technology developed by Hughes Aircraft, a division of GM Hughes Electronics Corp.

Hughes says it has been working with this technology for 20 years in defence applications, which account for most of its revenues.

JVC, with its long experience in the audio-visual business, will contribute manufacturing and marketing acumen to the joint venture.

The worldwide market for projection television is about 500,000 units a year for consumer models, with another 25,000 for professional use.

Sales are expected to boom in the 1990s as the spread of high definition television (HDTV) creates demand for screens big enough for viewers to appreciate its crystal-clear images.

● Clark Equipment, the US motor equipment and construction machinery group, is to sell its material handling business to Terex for $95m. The business employs 1,400 people worldwide.

JAL records first loss since 1985

By John Burton in Tokyo

JAPAN Airlines (JAL), the country's leading international carrier, yesterday reported a pre-tax loss of Y6bn ($46.1m) for fiscal 1991 due to a slump in foreign business travel and rising operating costs.

Meanwhile, All Nippon Airways (ANA), Japan's biggest domestic airline, announced a pre-tax profit of Y22.4bn, down 11.6 per cent.

JAL, which had a profit of Y24.8bn in fiscal 1990, predicted it would break even in the current fiscal year, while ANA forecast a slight dip in earnings to Y22bn.

JAL's loss, which was lower than its earlier prediction of a Y8bn deficit, reflected an operating loss of Y12.9bn. An improvement in financial items, including the sale of securities, led to the smaller pre-tax loss.

It was the first loss for JAL since fiscal 1985 when the crash of a JAL 747 in Japan, which killed 520 persons, caused a drop in passenger traffic.

Net losses were narrowed to Y2.9bn, against a profit of Y13.7bn in fiscal 1990, due to the sale of aircraft. JAL will pay an unchanged dividend of Y5 in spite of the loss.

Sales fell by 0.4 per cent to Y1,114bn. International passenger turnover dropped by 1.5 per cent to Y564.4bn, although passenger traffic rose 5.4 per cent. The downturn was the result of less business traffic, mainly on the Japan-Europe routes, as companies cut their travel budgets because of the recession.

Less profitable tourist traffic, particularly to China and Hawaii, was responsible for the increase in passengers to 8.3m.

Domestic sales rose by 5.1 per cent to Y265.2bn as JAL expanded routes within Japan, producing a 3.8 per cent increase in passenger traffic to 14m.

While total sales remained stagnant, operating costs rose by 3.3 per cent to Y1,275bn due to higher maintenance costs and leasing charges.

JAL expects a net profit of Y3bn, while sales are expected to increase to Y1,182bn.

ANA blamed its profit drop on higher interest costs following the purchase of new aircraft and other capital investments, which amounted to Y300bn last year. Its net financial deficit grew to Y28.7bn from 17.9bn in fiscal 1990.

ANA plans to invest another Y300bn on expanding its flight network this year. It explained that expanded services led last year to a rise in turnover for both its domestic and international routes, which boosted total sales to Y799.2bn, up 9 per cent.

Net income fell by 28.9 per cent to Y7.6bn. The dividend will be unchanged at Y5.

Sales in the domestic market, where ANA claims a 50 per cent share, rose by 7 per cent to Y651.8bn. International sales increased by 19.2 per cent to Y116.6bn as ANA continued to expand foreign routes.

It expects that sales will climb by 5.5 per cent to Y843.5bn in the current fiscal year, although net profit will decline 3.9 per cent to Y7.3bn.

Opposite directions: International sales were lower at JAL, but 19% higher at ANA

Hitachi set back 37% as demand weakens

By Robert Thomson in Tokyo

HITACHI, the Japanese electronics company, reported a 37.4 per cent fall in pre-tax profit to Y128.9bn ($991.5m) for the year to end-March, and along with the entire Japanese industry, blamed the decline on weak demand for semiconductors and computers.

The company said sales had risen 3.6 per cent to Y3,925bn, but noted that production of chips and computers had been well below capacity, and sales of consumer electronics had fallen 7 per cent on the previous year.

Japanese electronics companies, which dominate the market for memory chips, have been particularly bruised by the unexpectedly weak demand for the present generation of 4Mbit chips.

The industry is still suffering from a two-year downturn in the domestic audio-visual equipment market.

Hitachi said its capital investment for the current year would be around Y160bn, down from Y207.8bn, while research and development spending would be about Y400bn, slightly lower than last year's level of Y411.6bn.

Apart from weak demand, the Japanese electronics industry's ability to invest has been curbed by the higher cost of capital since the collapse of the Tokyo stock market.

For the current year, Hitachi is forecasting a slight fall in sales to Y3,900bn and a further fall in pre-tax profit to Y120bn.

HK Telecom advances on strong growth in revenue

By Simon Holberton in Hong Kong

HONG Kong Telecommunications, the colony's biggest company, yesterday met the market's expectations when it announced a 14 per cent increase in net earnings to HK$5.67bn (US$732.5m) in the year to end-March, against HK$4.96bn in previous 12 months.

The profit rise was struck on a 13 per cent advance in turnover to HK$18.37bn from HK$16.26bn. International and local telephone revenues grew by 15 per cent and other telecommunications services, which mainly represent mobile communications, rose 13 per cent.

Mr Michael Gale, chief executive, said the results were satisfactory, particularly as profits had been hit this year by a much higher tax rate. The company paid HK$833.4m in tax, 98 per cent higher than the HK$420m paid in 1991.

Directors have recommended a final dividend of 20.5 cents a share. With the interim payout of 17.5 cents, the total for the year will be 38 cents, up 15 per cent.

Hong Kong Telecom's results continued to underline the importance of the Chinese market to the company's business. Of last year's 1.6bn minutes of international traffic, China accounted for 671m minutes – a 35 per cent increase over the previous year. This business produced revenues of HK$2.77bn last year. For China it produced revenues in excess of HK$500m.

The company is developing its relations with Chinese telecommunications authorities, especially in southern China. It will train 600 executives from the Guangdong's telecoms authority this year and has so far given China 1m lines of analogue telecommunications equipment.

Michael Gale: expects increased competition

The company is negotiating with the Hong Kong government over the future of its domestic monopoly, which comes up for renewal in 1995. It is under pressure from government to cut its domestic and international telephone charges.

Mr Gale said the company expected to see increased competition in the coming years. He added that the company's negotiations with government were continuing.

However, the company appears to have persuaded the government to change its system of regulation from one in which its domestic profits are capped to an allowable return on shareholders funds to a system of regulation of tariffs based on the inflation rate.

On international business, which provides more than 60 per cent of revenues, the company is reported to have offered an 8 per cent average reduction in charges, linked to a promise of no average increase in charges over the next five years.

Hong Kong Telecom is 58.4 per cent owned by the UK's Cable and Wireless. CITIC, the Beijing investor, holds 20 per cent of the company.

Malaysian Air proposes cash call after 42% slide

MALAYSIAN Airline System (MAS) yesterday unveiled a 42 per cent slide in group pre-tax profit in the year to end-March, AP-DJ reports. MAS also proposed a rights share issue to raise M$1.75bn (US$694.4m).

Pre-tax profits declined to M$120m from M$206m the previous year, on revenues ahead to M$3.57bn from M$2.91bn, a rise of 23 per cent.

MAS, whose interim earnings had rebounded from the depressed levels following the Gulf war, slumped into a M$28.7m operating loss in the second half of the most recent financial year.

MAS attributed its weak performance to slower-than-anticipated growth in demand; higher provisions for wage increases; and lower income from aircraft sales.

The carrier's overall load factor, representing the utilisation of aircraft, fell 3 percentage points from last year to 65.3 per cent, its lowest level since 65.1 per cent in 1983.

The load factor's decline is unsettling for analysts because the airline is pushing ahead with an expanded fleet acquisition programme, under which MAS plans to buy 72 aircraft in the next five years.

The M$1.75bn rights issue would partly finance the acquisition of 25 new aircraft in this financial year.

Janome Sewing Machine falls in the red after tax

By Robert Thomson

JANOME Sewing Machine, the Japanese company entangled in the collapse of a stock speculator group, reported an after-tax loss of Y24.3bn ($186.9m) following the liquidation of two affiliates and the restructuring of its debts.

Strong overseas demand for sewing machines pushed sales for the year 3.4 per cent higher to Y81.6bn, but pre-tax profit fell 39.3 per cent to Y1.14bn. Sales for the current year are expected to remain at around Y82bn, with pre-tax profit forecast to fall to Y500m.

The Janome group is still negotiating with creditors over the fate of Y235.5bn in debt inherited through its dealings with Koshin, the stock speculator group, and Nanatomi, a property developer, both of which have collapsed in the past two years.

Janome, the second largest Japanese sewing machine maker, has received several managers from Kyowa Saitama Bank, which has been negotiating with the manufacturer's other creditors in an attempt to buy time on the repayment of outstanding debt.

Janome is expected to sell some of its extensive land holdings, though it is keen to delay the sales until a recovery in the weak property market.

Tokyo banks agree rescue of Taiheiyo

By Stefan Wagstyl in Tokyo

SAKURA Bank, the large Japanese bank, is leading a rescue of Taiheiyo Bank, a medium-sized Tokyo-based bank which ran into trouble three years ago with loans to a property developer.

Sakura will put up around 30 per cent of low-interest loans totalling Y110bn ($846m) to be made to Taiheiyo over 10 years. The rest of the funding will be extended by Fuji Bank, Tokai Bank and Sanwa Bank.

Executives from Sakura and from the Bank of Japan and the Ministry of Finance will be transferred to Taiheiyo to supervise the bank's rehabilitation.

The rescue is a classic example of a bail-out of a Japanese financial institution, with banks and the authorities working together to prevent a bankruptcy.

The fact that the rescue has taken three years to arrange is a measure of the difficulty the banks faced in forging a burden-sharing agreement.

Taiheiyo ran into trouble by lending to Mogami Kosan, a property speculating company, which accumulated around Y180bn in bad and doubtful loans.

Varity narrows deficit to $2.4m

By Bernard Simon in Toronto

VARITY Corp, the loss-making international farm equipment, automotive and industrial machinery group, came close to breaking even in the first quarter, thanks to a 21 per cent boost in sales, higher margins and foreign currency gains.

The net loss narrowed to US$2.4m, or 28 cents a share, in the three months to April 30, from $37.3m, or $1.67 a share, a year earlier. Revenues climbed to $828m from $681.5m.

The biggest improvement was at Kelsey-Hayes, the Michigan-based automotive parts maker, whose sales climbed by almost a third to $389m, with operating profit doubling to $31m. Higher sales of anti-lock braking systems contributed to the increase.

Varity acquired Kelsey-Hayes less than three years ago, but automotive products now account for 47 per cent of the parent's sales and more than two-thirds of operating profits.

Operating income of the Perkins diesel engine group climbed by 29 per cent, while Massey-Ferguson, the farm machinery maker, broke even, against a $9m loss last year.

However, Pacoma, a German hydraulic systems subsidiary, remains in the red, with a $1m first-quarter loss. Varity is rumoured to be looking for a buyer for Pacoma.

Mr Victor Rice, chairman, predicted a continued improvement, no matter what the economic climate.

Varity, which moved its head office last year from Toronto to Buffalo, New York, has substantially cut its workforce in recent years as part of its efforts to contain costs.

Nippon Oil slips despite big gain in net income

By John Burton

NIPPON Oil, Japan's largest oil distributor, has reported a 5.9 per cent fall in pre-tax earnings to Y44.1bn ($339.2m) due to rising personnel costs and a decrease in financial income.

Sales fell by 7.5 per cent to Y2,029bn because of price cuts for petroleum products following the fall in crude oil prices.

Net income, however, increased by 117.3 per cent to Y32.9bn due to the sale of a storage facility.

Sales volume remained almost unchanged. Although the economic downturn weakened demand from the industrial sector, sales volumes for gasoline, kerosene and gas oil increased.

Nippon Oil expects a further drop in pre-tax profits to Y40bn, while net profit will decline to Y20bn. Sales will be around Y2,000bn.

● Nippon Mining, the Japanese nonferrous metal processing and oil refining group, yesterday reported a 15.5 per cent fall in pre-tax profits to Y15.3bn for fiscal 1991.

It said that earnings had fallen because of the sluggish performance of its metals business, which has been affected by low zinc and copper prices and the high yen.

The mining division will be split off from Nippon Mining in the autumn as the company prepares to merge its affiliate Kyodo Oil and concentrate on petroleum refining.

Nippon Mining said the sale of securities added Y5.3bn to the pre-tax result. Sales dropped 14.6 per cent to Y845.6bn, while net profit rose 12.09 per cent to Y9bn.

It forecast that pre-tax profits would increase to Y21bn in the current fiscal year as a result of its merger in December with Kyodo Oil, while the net profit would grow to Y10.5bn. Sales are expected to climb to 1,060bn.

Mody to step down as Tata Iron chief

TATA Iron and Steel (Tisco), India's largest privately held company and the flagship of the Tata group of companies, announced that Mr Russi Mody would step down as chief executive on July 22, Reuter reports from Bombay.

Mr J.J. Irani, his deputy, will take over as managing director. Mr Mody, 74, will continue as chairman and also oversee Tisco's overseas ventures. "In view of the importance of globalisation of the company, the board required Mody to continue to head its overseas development, including exports and imports," the company said.

In the year to end-March, exports jumped 117 per cent to Rs4.49bn ($167m), from Rs2.07bn.

The company added that Tisco would launch a $100m Eurobond issue in the third quarter of 1992. It said it also proposed to launch a rights equity issue in late June in the domestic stock markets, but did not give details.

● Tata is a company in transition, writes R.C. Murthy. Mr J.R.D. Tata retired from Tata and Sons, the holding company, a couple of years ago, naming Mr Ratan Tata as his successor as group head.

Mr Mody's move marks the first significant success of Mr Ratan Tata to tighten his grip on the group.

Analysts say Mr Mody may soon leave Tisco.

Equitable Life shows improvement

By Nikki Tait in New York

EQUITABLE Life Assurance, one of the largest US insurance companies, reported an after-tax loss of $13m during the first quarter of 1992, compared with a loss of $14.6m in the same period a year earlier, according to filings with the Securities and Exchange Commission.

The life insurer, currently converting from mutual to shareholder-owned status, added that improvements in its operating performance would depend on the company's ability to improve returns from certain classes of general account investment assets.

Surrenders and withdrawals in the first quarter were $571.4m, down 15.7 per cent on the first three months of 1991. Surrenders in 1991 overall totalled $2.39bn, up 37 per cent on the previous year.

Pre-tax profits from continuing operations during the first quarter totalled $25.3m, against $53.3m a year earlier.

Equitable said that this reflected decreased results from the individual insurance and annuities segment.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Japan's life insurers resent role as bad guys

Emiko Terazono outlines the effects of the Tokyo stock market collapse

The collapse of the Tokyo stock market has had a humbling effect on Japanese life assurance companies, once among the most formidable investors in domestic and international markets.

With unrealised gains on stock holdings eroded, life assurers, which had assets of Y140,000bn ($1,082bn) at the start of the year, are more cautious about investment.

Nippon Life, the industry leader, claims that it will only allocate up to 5 per cent of new money to the stock market, and will try to reduce overall exposure.

The stock and bond markets stumbled on rumours that insurance companies were selling what used to be long term holdings.

"We now seem to be the bad guys of the financial markets. . . Everybody is blaming life insurance companies for the decline in the stock, bond and real estate markets," says Mr Hideo Kato, manager of finance and investment planning at Sumitomo Life.

Mr Shigeyuki Araki, manager of investment planning at Dai-Ichi Life, denies allegations that insurance companies are selling off long-term holdings.

However, with unrealised gains on stock holdings down by as much as 60 to 70 per cent at the leading life assurers, insurance companies are understandably reluctant buyers of the Tokyo market.

Allocation to foreign bonds, which carry foreign exchange risk, are also being reduced sharply.

The life companies, instead, want to increase corporate loans, including subordinated loans to banks.

However, loan growth to corporations has been relatively slow, with industry postponing capital spending.

One reason behind the shift to lower risk investment is the liberalisation of insurance dividends and policy fees, where the cartel influenced payouts to policy holders are to be freed.

That may happen as early as next year. Until now, the life industry has been cushioned by substantial hidden assets. With this buffer reduced, and dividends directly reflecting return on investments, the life companies are being forced to make more rational investment choices.

The sharp fall in the Tokyo stock market will affect policy dividends this year. Japanese life insurers are required to pay policyholders out of income, but as gains on *tokkin*, or specified money trusts, and investment trusts are regarded as income rather than capital gains, policyholders will bear the brunt of the stock market crash. Mr Araki expects that life assurers will be forced to lower dividends by at least 0.25 per cent.

A fall in dividends may affect the already slowing asset growth at the life insurers. Last fiscal year, assets at the leading eight companies, which surged by 15 to 20 per cent at the peak of the mid-80s, grew by 8.4 per cent to Y110,000bn.

Interest rate deregulation has caused Japanese investors to regard insurance policies as savings. Life insurers cannot now take long term funds for granted and will have to anticipate large fund shifts on interest rate movements.

The problems among smaller life insurers are severe. Many small companies face heavy losses on stock investments, and analysts suggest that some are drawing on reserves to maintain a dividend payment.

Free competition in one of Japan's most tightly regulated financial industries may force the weaker life companies to the wall. Bail-outs by larger life assurers may be on the horizon.

European Parliament to raise Ecu1bn

By Sara Webb in London and Andrew Hill in Brussels

THE EUROPEAN Parliament hopes to raise Ecu1bn from the international capital markets to pay for its new Parliament Chamber, offices and secretariat in Brussels.

The funds will be used to pay for three separate buildings which are already under construction: the Parliament Chamber building, due to be completed by the end of this year, and the Parliament offices and secretariat, due to be completed within two years.

The form of the funding has not been decided yet, according to Richard Haycocks of Ernst & Young, financial adviser to the European Parliament and to Société Espace Léopold, the promoters of the building project.

"We are looking for an innovative structure at the lowest possible cost to the borrower" said Mr Haycocks, adding that the borrowing could take the form of a syndicated loan or international bond issue.

In the case of a bond issue, a special purpose vehicle would be set up to own the buildings and act as the official borrower. The borrower would have a Triple-A rating. About 25 international banks have been invited to tender for the role of lead manager before Monday's deadline.

The signing of the lease with the European Parliament in January was regarded in Brussels as an important victory for the city in the continuing war of attrition with France over where to hold the monthly sessions of the European Parliament.

Espace Léopold contains a 1,000-seat "hemicycle" which would be suitable for the full debates of the 518-strong Parliament, even taking into account possible expansion of the Community.

The formal one-week sessions are currently held in Strasbourg, although for the rest of the month the Euro-MPs attend committee meetings and conduct all their business from Brussels.

Canadian banks cling to a raft of reforms

Bernard Simon on fundamental changes to the country's financial services industry

Canada's big banks have for years been looking forward to next Monday in the hope that the raft of financial service reforms which take effect that day would once and for all free them to storm into the insurance and fiduciary services businesses.

But far from rejoicing, the banks are hopping mad. While they will still be allowed for the first time to own insurance and trust companies, vigorous lobbying by the insurance industry persuaded the federal government at the last moment to tighten curbs on the banks' ability to market insurance policies.

So angry are the banks that at least two of their chairmen, Mr Allan Taylor, of Royal Bank of Canada, and Mr Richard Thomson, of Toronto-Dominion, fired off letters of protest to Mr Brian Mulroney, the prime minister.

Despite the government's last-minute change of heart, the reforms are certain to accelerate fundamental changes in Canada's financial services industry. They are unlikely to discourage most of the banks from wading into insurance, and are expected to spur numerous acquisitions and alliances involving different types of financial institution.

Some hard-pressed mutual insurers are expected to seek extra capital by converting into shareholder-owned institutions. The trust industry is likely to shrink as banks and their new trust subsidiaries become more active in fiduciary services.

The new legislation, consisting of four Acts with 1,300 pages, has been six years in the making. It was conceived as Canada's response to the headlong deregulation of financial services throughout the world. As the precise functions of each type of financial institution grew more fuzzy, regulators could no longer maintain the traditional distance between the four pillars of Canada's financial services industry – banks, trust companies, insurers and securities firms.

The first legal barriers were broken in 1987 when outsiders were allowed to invest in the securities firms. All six now own securities subsidiaries, including some of the biggest brokerage firms in the country.

The banks have for years been itching to use their vast branch and automated-teller networks as a springboard for marketing insurance policies. Royal Bank of Canada estimates that while Canadians see their insurance broker less than twice annually, they deal with their bank about 36 times a year.

Richard Thomson: fired off letter of protest to PM

Banks, insurers and trust companies have spent the past two years gearing up for the changes which take effect on June 1. All the banks have either bought trust companies or set up new trust subsidiaries, allowing them to expand into such fields as corporate custodial services, and estates administration.

Anticipating the reforms, Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and Toronto-Dominion Bank have either forged marketing alliances with insurance companies, or started setting up their own insurance businesses.

Non-bank institutions have also been busy protecting their flanks. Manulife Financial has bought several small trust companies and recently gave notice that it wants to start a bank. Canada Trust – the country's strongest trust company – has formed a joint insurance venture with Colonia Life.

The last-minute changes, contained in regulations under the Bank Act, were made after bitter complaints from insurance brokers, supported by many underwriters, that their livelihood was in danger. For once, the banks were outmanoeuvred in political lobbying.

While banks will be allowed to buy insurance companies, they will now be barred from providing their new subsidiaries with any information on their banking customers.

The regulations also prohibit them from referring their customers to specific insurance companies or brokers. Any promotion of an insurance product will have to be directed at the bank's entire customer base or all its credit card holders. No promotion or selling of insurance will be allowed within a bank branch.

The tightened curbs are an inconvenience not only to the banks, but also some insurers which have hitched themselves to the banks' wagon. North American Life, for instance, bought a direct-marketing business in late-1990 which sells insurance policies to carefully targeted customers of three different banks.

Mr Cam Hall, North American's director in charge of this business, says that "the direct marketing of insurance products when you can't target-market is difficult to do cost efficiently".

However, the new curbs are unlikely to turn the banks away from the insurance business. "We still expect them to try and sell insurance on an untargeted basis," says Mr Greg Fast, partner at Madden Fast & Associates, a Toronto financial services consultancy.

The banks, which are by far the most powerful players in Canada's financial services industry, have a history of finding the smallest openings in regulatory barriers, and then gradually prising them open.

It would be out of character if they did not spend the next few years probing for every loophole they can find until they become the force they want to be in the insurance and trust markets.

Repsol may stretch bond issue to Pta50bn

By Tom Burns in Madrid

A Pta25bn ($250m) convertible bond offering by Repsol, Spain's state-controlled oil, gas and chemicals group, has been oversubscribed and the corporation will extend the issue to Pta50bn.

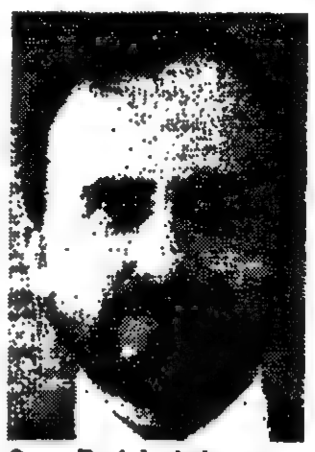
The investor response to the three-year, 10 per cent bonds is likely to encourage Repsol into making an international placement of shares for institutional investors this autumn.

Repsol officials say that the placement is under consideration but that no decision has yet been made. In 1989 Repsol raised Pta130bn when the state sold a 26.5 per cent stake in the group.

The convertible bonds were priced at Pta10,000 and investors were limited to buying a maximum of 800 for Pta8m. Officials believe that the average investment has been some Pta200,000. Most of the bond holders are expected to convert at the first opportunity, which will be in the last week of September, in order to take advantage of an 8 per cent discount on the share price.

Should all the Pta50bn worth of bonds be converted to shares, the state holding in Repsol will be reduced by about 6 per cent 58.4 per cent. Repsol could therefore place a further 8 per cent of itself and still comply with its charter, which demands majority public ownership.

An 8 per cent shareholding in Repsol has a stock market value of Pta75bn.



Oscar Fanjul, chairman: welcomes ownership ruling

However, legislation before parliament is due to abolish the ruling on majority public ownership. Mr Oscar Fanjul, the group's chairman, has indicated he would welcome that.

The government is understood to favour privatisations in order to reduce the budget deficit in accordance with Spain's convergence plan for economic and monetary union within Europe.

● Spain has disclosed capital market expansion plans in an attempt to diversify the sources and lengthen the maturity of government debt, *Reuter reports from Madrid*. Treasury officials aim to issue securities in the European Community's Ecu currency, to open up the market in "matador" peseta-denominated, foreign bonds, and to ease the tax burden borne by foreign investors.

Paper demand forecast to rise

DEMAND for paper and packaging products is expected to increase in 1992, according to International Paper, *AP-DJ reports from New York*.

At its annual conference, the company said that it expects demand for bleached packaging board to grow by 2 per cent per year until 1995. By the end of 1995, about 670,000 tons will have been added to the 1991 capacity base; about 70 per cent of which will come from the US.

Worldwide demand for chemical market pulp is expected to increase this year by between 4 and 5 per cent. Although new capacity will be available, International Paper looks for gradual improvement in operating rates during 1992 to 1995.

Notice of Redemption to the Holders of
Franklin Savings Association
8% Mortgage-Backed Bonds due December 30, 1996
CUSIP Number 354625 EV 3

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of February 17, 1987 (the "Indenture") between Franklin Savings Association (the "Issuer") and IBJ Schroder Bank & Trust Company, as Trustee, the Issuer has elected to redeem all of its outstanding 8% Mortgage-Backed Bonds Due December 30, 1996 (the "Bonds") on June 30, 1992 (the "Redemption Date") at 100% of the principal amount thereof (the "Redemption Price"). Payment of interest due June 30, 1992 will be made in the usual manner.

Interest on Bonds to be redeemed shall cease to accrue on and after the Redemption Date and on said date the Redemption Price will become due and payable on each of the Bonds called for redemption.

The Redemption Price will be paid upon presentation and surrender of the Bonds by hand or mail to the Paying Agent as follows:

IBJ Schroder Bank & Trust Company
One State Street
New York, New York 10004
Attn: Securities Processing Window
Sub-Cellar One

The method of delivery is at the option and risk of the holder, however, transmission by registered mail, properly insured, is suggested as a precaution against loss.

IBJ Schroder Bank & Trust Company
as Trustee

Dated: May 29, 1992

No representation is made as to the correctness of the CUSIP number listed herein or printed on the Bonds.

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

CITICORP

U.S.$350,000,000
Subordinated Floating Rate Notes Due November 27, 2035
Notice is hereby given that the Rate of Interest has been fixed at 5% in respect of the Original Notes and 5.0875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date June 30, 1992 against Coupon No. 79 in respect of US$10,000 nominal of the Original Notes will be US$44.44 and in respect of the Enhancement Notes will be US$45.22.

U.S.$500,000,000
Subordinated Floating Rate Notes Due October 25, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date June 30, 1992 against Coupon No. 80 in respect of US$10,000 nominal of the Notes will be US$44.44.

U.S.$500,000,000
Subordinated Floating Rate Notes Due January 30, 1998
Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date June 30, 1992 against Coupon No. 77 in respect of US$10,000 nominal of the Notes will be US$44.44.

U.S.$350,000,000
Subordinated Floating Rate Notes Due August 14, 2011
Notice is hereby given that the Rate of Interest has been fixed at 4.1875% p.a. and that the interest payable on the relevant Interest Payment Date August 28, 1992 against Coupon No. 24 in respect of US$10,000 nominal of the Notes will be US$105.85 and in respect of US$250,000 nominal of the Notes will be US$2,646.27.

U.S.$500,000,000
Subordinated Floating Rate Notes Due May 29, 1998
Notice is hereby given that the Rate of Interest has been fixed at 4.1875% and that the interest payable on the relevant Interest Payment Date August 28, 1992 against Coupon No. 25 in respect of US$10,000 nominal of the Notes will be US$105.85, and in respect of US$250,000 nominal of the Notes will be US$2,646.27.

May 29, 1992
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

PARINTER BOND FUND S.A.
Société Anonyme
R.C. Luxembourg B 8840
NOTICE OF MEETING

The quorum required by law not having been reached at the Extraordinary General Meeting convened on 27th May, 1992, the shareholders of Parinter Bond Fund S.A. are hereby convened to attend the postponed Extraordinary General Meeting of Shareholders to be held at the Registered Office in Luxembourg, 10A, Boulevard Royal, on:

Tuesday 7th July, 1992 at 11.30 a.m.

for the purpose of considering the following Agenda:

- To grant discharge to the Directors and the auditors in respect of the execution of their mandate.
- To consider the report of the Board of Directors explaining and justifying the merger proposals published in the "Mémorial, Recueil Spécial des Sociétés et Associations du Luxembourg".
- To consider the audit report prepared by Coopers & Lybrand S.C., Luxembourg, in accordance with Article 266 of the Law concerning Luxembourg Commercial Companies, and subject to approval of the said merger proposals by the shareholders of the Company in their Extraordinary General Meeting:
  1) To approve merger proposal of Parinter Bond Fund S.A. with Parvest;
  2) To approve the allocation of shares of the sub-funds "Parvest International Bond" to the shareholders of the Company "Parinter Bond Fund S.A." in exchange for the contribution of all assets and liabilities to the Sub-fund "Parvest International Bond" of the Sicav "Parvest", the shares so allotted to be issued in the ratio of ONE new "A" share of the sub-fund "Parvest International Bond" for ONE "A" share of "Parinter Bond Fund S.A." and ONE new "B" share of the sub-fund "Parvest International Bond" for ONE "B" share of "Parinter Bond Fund S.A.".

Resolutions on the agenda of the postponed Extraordinary General Meeting will be adopted if voted by two thirds of the shareholders present or represented, irrespective of the proportion of the outstanding shares which are present or represented at the Meeting.

The following documents:

- the merger proposals,
- annual reports of PARINTER BOND FUND S.A. for the three last years,
- annual reports of PARVEST as at 31st December 1990 and 31st December 1991,
- reports of the Board of Directors of PARINTER BOND FUND S.A. and PARVEST explaining and justifying the merger of the Company,
- reports of Coopers & Lybrand S.C. concerning the merger,
- accounts of PARINTER BOND FUND S.A. as at 31st December 1991.

will be at the disposal of the shareholders for consultation at the Registered Office of the Company or at the offices of banking institutions mandated to keep in deposit such shares represented at the Registered Office of the Company free of charges at the Registered Office of the Company.

Should the owners of bearer shares not be able to participate in person they may be represented by depositing their shares with a banking institution and by sending the proxy together with the certificate of deposit of their shares at the Registered Office of the Company, 10A, Boulevard Royal, on July 1st, 1992, at the latest.

Proxy forms are available upon request at the Registered Office of the Company.

The present notice and a form of proxy will be sent to all shareholders on record as at 24th June, 1992.

By order of the Board of Directors,
J. PIERSON
Secretary

COMMERZBANK

PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 27th May, 1992 a Dividend for the year ended 31st December, 1991 will be paid, as from 29th May, 1992 at the rate of DM. 10.00 per share of DM. 50 nominal, against presentation of Coupon No. 54 or lodgement of London Deposit Certificates for marking Square No. 17.

Holders of Profit Sharing Certificates issued in 1985 are entitled to a distribution equivalent to 10.25 per cent. per annum for the year ended 31st December, 1991 and will receive as from 29th May, 1992 DM. 10.25 for each DM. 100 nominal held against presentation of Coupon No. 7.

Holders of Convertible Profit Sharing Certificates issued in 1990 are entitled to a distribution equivalent to 7 per cent. per annum for the year ended 31st December, 1991 and will receive as from 29th May, 1992 DM. 14.00 for each DM. 200 nominal held against presentation of Coupon No. 2.

Holders of Profit Sharing Certificates with Option Rights issued in 1991 are entitled to a distribution equivalent to 9.5 per cent. per annum for the period 1st October, 1991 to 31st December, 1991 (one quarter) and will receive as from 13th June, 1992 DM. 23.75 for each DM. 1000 nominal held against presentation of Coupon No. 1 (¼).

All payments will be subject to a deduction of German Capital Yields Tax at 26.875% (25% plus 7.5% "Solidarity Surcharge" on the Capital Yields Tax).

Coupons and London Deposit Certificates should be lodged with:

S.G. WARBURG & CO. LTD.
Paying Agency,
2 Finsbury Avenue,
London EC2M 2PA

from whom appropriate claim forms can be obtained.

Coupons may also be lodged with:

COMMERZBANK AG,
London Branch,
10/11 Austin Friars,
London EC2P 2JD.

Coupons will be paid at the rate of exchange on the day of presentation.

Payment in respect of London Deposit Certificates will be made at the rate of exchange ruling on the day of receipt of the dividend on the equivalent shares deposited in Germany. United Kingdom Income Tax will be deducted at the rate of 10% unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agent will, upon request, provide shareholders or their agents with the appropriate form for such recovery.

29th May, 1992 COMMERZBANK AKTIENGESELLSCHAFT

Den norske Bank

Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 29, 1992 to August 28, 1992 the Notes will carry an Interest Rate of 4.3125% p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$109.01.

May 29, 1992 London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

National Westminster Bank
Incorporated in England with limited liability
US$ 500,000,000 Primary Capital FRNs (Series "C")

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest period from May 29, 1992 to August 28, 1992 the Notes will carry an interest rate of 4⅛% per annum.

The interest payable on the relevant interest payment date, August 28, 1992 against coupon no. 27 will amount to US$ 105.85 for Notes of US$ 10,000 nominal and US$ 1,058.51 for Notes of US$ 100,000 nominal.

The Agent Bank
Kredietbank S.A. Luxembourgeoise

U.S. $400,000,000
Banque Française du Commerce Extérieur
Guaranteed Floating Rate Notes due 1997

For the three months May 29, 1992 to August 28, 1992, the Notes will bear interest at 4⅜% per annum. U.S. $109.01 will be payable on August 28, 1992, per U.S. $10,000 principal amount of Notes.

By The Chase Manhattan Bank, N.A. London, Agent Bank
May 29, 1992 CHASE

US $330,000,000
Republic of Italy Euro Repackaged Assets Limited F.E.R.A.R.I. II
Floating Euro-dollar Repackaged Assets of the Republic of Italy due 1998

For the period from May 29, 1992 to August 28, 1992 the Notes will carry an interest rate of 4⅜% per annum with an interest amount of US $1,090.10 per US $100,000 Note.

The relevant interest payment date will be August 28, 1992.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

First Bank System, Inc
US$200,000,000
Subordinated floating rate notes due 2010

Notice is hereby given that for the interest period from 29 May, 1992 to 28 August, 1992 the notes will carry an interest rate of 3⅞% per annum and that the interest payable on the relevant interest payment date 28 August, 1992 will amount to US$132.71 per US$10,000 note and US$3,317.71 per US$250,000 note.

Agent: Morgan Guaranty Trust Company
JP MORGAN

TSB Hill Samuel Bank Holding Company PLC
(formerly Hill Samuel Group plc)
US$75,000,000
Perpetual floating rate notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 29 May, 1992 to 30 November, 1992 the notes will carry a rate of 5⅝% per annum and the interest payable on the relevant payment date 30 November, 1992 will amount to US$269.79 per US$10,000 note.

Agent: Morgan Guaranty Trust Company
JP MORGAN

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
Sterling Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from May 28th, 1992 to August 28th, 1992, has been fixed at 10.1875 per cent per annum.

On August 28th, 1992 interest on sterling 128.39 per sterling 5,000 nominal amount of the Notes, and interest of sterling 641.95 per sterling 25,000 nominal amount of the Notes, will be due against Coupon No. 31.

Swiss Bank Corporation
London
Reference Agent

Can. $75,000,000
Province of New Brunswick
Floating Rate Notes due May 1994

Notice is hereby given that in respect of the Interest Period from May 29, 1992 to August 28, 1992 the Notes will carry an Interest Rate of 6⅝% per annum. The amounts payable on August 28, 1992, against Coupon No. 33 will be Can. $159.57 for Bearer Notes of Can. $10,000 principal amount and Can. $15.95 for Bearer Notes of Can. $1,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
May 29, 1992 CHASE

PT PABRIK KERTAS TJIWI KIMIA
U.S.$50,000,000

Notice is hereby given that the Rate of Interest under the Interest Payment Certificate has been fixed at 4.5% p.a. Together with the 1% interest under the Bond Certificate, the total interest payable on the relevant Interest Payment Date November 30, 1992 in respect of U.S.$250,000 nominal of the two Certificates will be U.S.$7,065.97.

May 29, 1992
By: Citibank, N.A. Hong Kong, Agent Bank CITIBANK

PANTHER LTD
Series A
US$65,500,000
Secured Floating Rate Notes due 1995

secured by first charge over Yen 10,000,000,000 aggregate principal amount of ASLK-CGER Finance N.V. 5% Variable Redemption Amount Notes due 1995 guaranteed by Algemene Spaar- en Lijfrentekas/Caisse Générale d'Epargne et de Retraite.

For the six months May 26, 1992 to November 24, 1992 the Notes will carry an interest rate of 4.2825% p.a. The coupon pertaining to each Note of US$100,000 for this interest period will be US$2,165.04 and will be payable on November 24, 1992.

Listed on the Luxembourg Stock Exchange

IBJ International Limited
Agent Bank

Treasuries up as investors await money supply data

By Karen Zagor in New York and Sara Webb in London

US TREASURY prices moved slightly higher yesterday morning, shrugging off signs of further improvement in the US labour market, but turnover was light as the market awaited the afternoon release of the weekly money supply figures.

At mid-session, the Treasury's benchmark 30-year bond was up 1/32 at 101 5/32, yielding 7.879 per cent. Intermediate issues posted similar gains, while at the short end of the yield curve the two-year note was 1/32 higher for a yield of 5.225 per cent.

Bond prices initially slipped on the back of a decline in jobless claims in the week ended May 16. The number of claims fell 4,000 to 403,000 when the market had expected them to rise by about 3,000. But the lower prices encouraged some retail buying.

The Federal Reserve entered the open market to arrange four-day repurchase agreements. Analysts said the Fed was facing a large requirement for addition funds and the Fed's operation, which adds liquidity to the banking system, was widely expected. Fed funds, the rate at which banks lend to each other, were changing hands at about 7⅞ per cent at the time of the Fed's action. The perceived target for the rate is 3¾ per cent.

■ UK long-dated government bonds rose up to a quarter of a percentage point in dull trade yesterday, but gains at the short end of the yield curve were held in check now that hopes of another cut in the base rate have faded.

The benchmark 11¾ per cent gilt due 2003/07 climbed from 118¼ to end the day at 118 15/32. News that the latest £150m tranche of 2½ per cent index-linked stock due 2020 was exhausted yesterday afternoon helped to buoy up the index-linked sector of the market, traders said.

The tranche was one of two £150m taps of 2½ per cent index-linked stock announced on May 20. The other tranche, due 2013, was exhausted on May 21. However, a £800m issue of 9 per cent conversion stock due 2000 is still overhanging the market, and dealers expect the Bank to set the date for another gilt auction fairly soon.

■ JAPANESE government bonds ended the day firmer, helped by the slightly stronger yen and a rebound in US Treasury bond prices early in the day.

The yield on the benchmark No 129 JGB opened at 5.59 per cent, corresponding to the low price of the day, and ended at 5.555 per cent. Volumes were low, with only Y233bn traded in the benchmark No 129 JGB. The September futures contract moved from its opening of 101.35 to a high of 101.44 before closing at 101.42.

GOVERNMENT BONDS

The dollar traded above Y130 overnight at 130.20, but the Bank of Japan intervened yesterday morning to support the yen, which ended trading at around 129.75.

■ POSITIVE economic data pushed Australian government bond yields higher yesterday, particularly among the short-dated issues.

Company profits jumped 13 per cent in the March quarter, whereas analysts had expected an increase of only 10 per cent. The news prompted a sell-off in the bond market. "The stronger figures were taken as an indication that the recession is bottoming out which makes the chances of another easing in interest rates less likely now," said one dealer.

April 1995 Commonwealth bonds closed weaker, yielding 7.97 per cent against Wednesday's close of 7.82 per cent. The benchmark November 2001 Commonwealth bond yield also rose, finishing the day at 9.19 per cent, compared with 9.12 per cent the previous day.

■ THE EUROPEAN government bond markets saw little activity yesterday as many were closed for the Ascension Day holiday, and traders expect activity to be lacklustre today as well. German government bond futures edged up in London trading as dealers covered their short positions.

Italian bonds eased lower with cash and futures prices moving down in thin trading. Operators attributed the losses to covering ploys ahead of the expiry of the Liffe June futures contract. The cash market had been awaiting the results of the Treasury auction for L3,000bn June 1, 1999, CCTs. The price of 97.75, announced after the close, was in line with forecasts.

It is the first of three issues for a total of L10,000bn, with L3,000bn of fixed-rate 10-year bonds (BTP) being auctioned today.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.2592	-0.208	9.20	9.20	9.73
BELGIUM		9.000	05/01	101.1000	-	8.81	8.79	8.84
CANADA *		[illegible]	04/02	100.2000	-	8.47	8.48	8.60
DENMARK		9.000	11/00	101.3000	-	8.76	8.77	8.80
FRANCE	BTAN	8.500	03/97	99.0112	+0.001	8.74	8.71	8.86
	OAT	8.500	11/02	99.6800	-	8.53	8.52	8.71
GERMANY		8.000	01/02	100.3300	+0.070	7.94	7.95	7.98
ITALY		12.000	02/02	96.4200	-0.050	12.65†	12.57	12.68
JAPAN	No 119	4.800	06/99	94.9400	+0.020	[illegible]	5.72	6.01
	No 129	6.400	03/00	104.6405	+0.260	5.55	5.50	5.68
NETHERLANDS		8.250	02/02	99.6200	[illegible]	8.29	8.32	8.33
SPAIN		11.300	01/02	102.0000	-0.250	10.92	10.85	10.81
UK GILTS		10.000	11/96	103.2188	+0.062	9.10	9.12	9.34
		9.750	08/02	105.3125	+0.216	8.94	8.97	9.17
		9.000	10/08	101.9063	+0.344	8.78	8.85	9.03
US TREASURY *		7.500	11/01	[illegible]	+0.219	7.41	7.33	7.50
		8.000	11/21	101.2813	+0.250	7.88	7.84	8.08
ECU (French Govt)		8.500	03/02	99.5500	+0.350	8.56	8.59	8.75

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Belgium, Denmark and Spain: Between April 30 and May 20 bond yields for these markets supplied to the Financial Times and published here were calculated on a semi-annual basis, rather than the annual basis which is the local standard. Bond yields for this period recalculated on an annual basis can be obtained by application to: Garry Hayes, Financial Times, 1 Southwark Bridge, London, SE1 9HL.

The yield basis used in this table for the Italian government bond market was changed from semi-annual to annual on May 20, to reflect the method more commonly used in the market. For comparison purposes, yields for Italian government bonds before May 20, recalculated on the same annual basis, can be obtained by application to the same address.

British Gas may lose triple-A rating in Moody's review

By Richard Waters

BRITISH GAS, one of the most active UK issuers in the eurobond market, could be set to lose its cherished triple-A credit rating following a decision by Moody's Investors Service to put it under review for possible downgrade.

The decision leaves BT and Marks and Spencer as the only UK companies with unquestioned triple-A ratings from both agencies, along with Anglo-Dutch groups Royal Dutch/Shell and Unilever.

The review, which affects some £3.6bn of long-term debt, reflects pressure put on British Gas by Ofgas, the UK gas industry regulator.

This has raised the prospect of greater competition in the UK's industrial and commercial markets, and put pressure on the company's prices in the domestic gas market, Moody's said.

Also, the rating agency said it would "review British Gas' investment plans in exploration and production and international operations, to assess the investment requirement, and any potential shift in the balance of group earnings and consequent volatility."

British Gas's triple-A rating from rival rating agency Standard & Poor's remains unquestioned. According to S&P, companies with triple-A ratings pay around a fifth of a percentage point less when raising money in the Euromarkets than the next best credits.

Coventry Building Society in Pibs issue

By Simon London

COVENTRY Building Society yesterday became the latest UK mutual savings institution to raise capital through an issue of permanent interest bearing shares (Pibs).

The deal comes amid growing concern that Pibs have been sold to retail investors without a full understanding of the risks of holding such undated, deeply subordinated, fixed interest securities – with unproven secondary market liquidity.

Yesterday's £40m issue, lead managed by Kleinwort Benson, was the eighth by a UK building society. The market now amounts to £460m outstanding, but remains only a fraction its potential size.

If the top 20 building societies were to issue the maximum allowed by the Building Societies Commission, the industry regulator, the market could reach £4.4bn.

The Coventry paper carries a 12⅛ per cent coupon and was re-offered to investors at a fixed price of 100.749. At this level the paper yields 12.04 per cent, or 3.25 per cent more than long-dated UK government bonds.

Earlier Pibs issues have already offered holders a handsome capital gain as the yield spread over UK government bonds has narrowed.

For example, the first £75m issue from the Leeds Permanent Building Society was launched in June last year at a yield spread of 3.5 per cent over long-dated gilts. It now trades at a spread of around 2.5 per cent.

The narrowing of yield spread is partly attributable to increased buying of Pibs by retail investors. Building societies have taken advantage of this interest by issuing Pibs in £1,000 denominations – the smallest face value allowed by the Commission, to appeal to retail buyers.

Kleinwort Benson said yesterday that around 50 per cent of the Coventry issue had been placed with retail investors.

However, the commission is concerned that Pibs may be sold to individuals unaware of the risks, despite an explicit list of risk factors in the offering documents.

Floating-rate note revival gathers pace as issues dwindle

By Simon London

NEW ISSUE activity in the international bond market ground almost to a halt yesterday, with public holidays in most continental European markets.

However, the revival of the floating-rate note market continued to gather pace. Instituto Bancario San Paolo di Torino, the double-A rated Italian bank, launched a $150m deal lead managed by Kidder Peabody.

The deal follows Wednesday's $200m offering by Banco di Roma, and a string of other deals from borrowers in recent weeks ranging from Sumitomo Bank to the City of Stockholm.

The five-year paper issued yesterday pays 3/16 per cent – 18.75 basis points – over the six-month London interbank offered rate and was re-offered to investors at par.

The pricing was seen as fair by participants in the deal. Banco di Roma offered 25 basis points over Libor, but does not carry a credit rating.

INTERNATIONAL BONDS

Kidder Peabody estimated that around 60 per cent of yesterday's issue was purchased by other banks.

Floating-rate notes carry only a 20 per cent risk weighting under the Basle capital adequacy accord, against 100 per cent for corporate bonds. This means banks need to set aside only one-fifth the capital required for corporate debt.

The rest of the paper was bought by managers of money market funds, keen to switch out of cash deposits to pick up a higher yield.

Syndicate officials said the return of banks to the market in any numbers for the first time since 1990 reflected the improving credit quality of many financial institutions. Investors are now more comfortable holding bank bonds.

For example, Bank of America – one of the most improved credits in the US banking sector – returned to the floating-rate note market in February for the first time since 1987.

In addition, conditions in the interest rate swaps market have deteriorated. Banks can now achieve a cheaper cost of funds by issuing floating-rate paper directly, rather than issuing fixed-rate bonds and swapping the liability into floating rate.

Moreover, other sources of bank funding have dried up. For example, many banks funded themselves by placing structured bonds – paper linked to the Tokyo stock market, for example – with institutional investors in Japan. This ready source of funding has declined with the turbulence of Japanese markets.

New issue activity is expected to remain subdued today. Next week, however, syndicate officials are anticipating deals in the Eurodollar sector.

Among the potential issuers is Spintab, the mortgage subsidiary of Swedbank, rumoured to be planning a five-year issue of around $250m.

● Investor AB, the holding company controlled by Sweden's Wallenberg family, plans to make an Ecu-denominated convertible bond issue in the international bond market. Yesterday, the company started a series of presentations to international investors and plans to launch an offer "within the next few weeks".

The company already has Swedish krona-denominated convertibles outstanding in the domestic market. It plans to buy back these bonds from institutional investors, change the currency denomination under provisions already in place, and re-offer the stock on the international market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ist.Ban.San Paolo(b)‡†	150	(b)	100.10	1997	25/15bp	Kidder,Peabody Intl.
STERLING						
Coventry B.S.(c)†	40	12.125	100.749	(c)	(c)	Kleinwort Benson
YEN						
Kawasaki Steel Corp.(a)¶	30bn	6	101.80	1997	1.875/1.25	Daiwa Europe

*Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 3/16% above 6-month Libor rate and payable semi-annually. c) Undated Mandatorily Convertible Subordinated Notes, convertible into Permanent Interest Bearing Shares (PIBS). Coupon payable semi-annually. Fees undisclosed.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	43	0	38
Other Fixed Interest	6	0	11
Commercial, Industrial	213	332	902
Financial & Property	89	142	567
Oil & Gas	12	23	51
Plantations	0	1	8
Mines	29	19	97
Others	32	17	79
Totals	424	534	1,753

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings May 18
- Last Dealings June 5
- Last Declarations Aug. 20
- For settlement Sept. 1

3-month call rate indications are also shown on this page.

Calls in Aitken Hume, Amstrad, ASDA, BTR warrants '93/94, Enterprise Computer, Ferranti, J S Pathology and NSM. Put in Bimec Inds. Puts and calls in ASDA and British Telecom New partly-paid.

TRADITIONAL OPTION 3-month call rates

[illegible]

Enlarged Babcock 7% ahead

By Jane Fuller

BABCOCK International, the engineering contractor, cushioned itself against the effects of the UK recession by spreading its activities across a wider range of industries and expanding its business on the Continent.

Pre-tax profit advanced by 7 per cent to £50.1m (£46.7m) on turnover of £830m (£761m) last year. Operating profit went up 12 per cent to £43.1m (£38.5m), but net interest income fell to £6.5m (£8.2m) because of falling rates.

At the March 31 year-end, net cash stood at just over £100m, compared with £69.3m. Mr Erik Porter, finance director, said this was "a bit of a freak" following a rush of advance payments. The normal level was about £60m, of which about half was Babcock's.

The group issued shares during the year to buy a Swedish company and to strengthen the balance sheet. With the help of £23m retained profit, net assets advanced from £70m to £102m.

Three of the five divisions improved profitability, including the new materials handling division formed from Claudius Peters in Germany, Consilium, the £21.4m Swedish acquisition, and a UK subsidiary. Materials-handling profit rose 44 per cent to £7.2m.

Erik Porter: £100m net cash 'a bit of a freak'

Energy and manufacturing, including a big flue-gas desulphurisation contract at Drax power station, improved to £17.5m (£15.7m). Construction and process plant contributed £12.7m (£10.5m) after securing more overseas work and increasing its penetration of the oil, steel and pharmaceuticals industries.

Facilities management – the Rosyth Royal Dockyard – slipped to £10.5m (£10.7m) because of delays in a submarine refit programme. The only serious setback came in South Africa, which was £3m down at £7.1m following a slump in platinum mining.

The £14m settlement of a dispute arising from the liquidation of IBH Holding in Germany, was about £6m less than Babcock had provided for, leading to an extraordinary gain of that amount.

After a reduced minority charge of £2.4m (£3.2m), but a higher tax rate, earnings per share rose to 6.94p (6.56p).

A proposed final dividend of 1.9p makes a total of 3.15p (3p).

COMMENT

Babcock's share price, which sunk to 52p before the general election, has outperformed the FT-A All-Share index by 18 per cent since then and the re-rating is well deserved. Although it is still suspected of being a late-cycle group because of some long-term contracts, it has become adept at casting its net widely for smaller, quicker orders. It says it is not unhappy that the year-end order book was about £40m down at £580m, especially as about £100m has been added since. Some analysts, however, remain unconvinced and point to limited recovery potential. It is true that earnings growth will be restricted this year by falling interest income, a higher tax charge and increased equity. However, the potential contributions from Consilium, which made £500,000 profit in six weeks last year and from a joint venture with Yorkshire Water bode well, as do the reasonable prices paid for these businesses. Pre-tax profit is forecast to reach about £57m this year, giving an undemanding prospective p/e of less than 10 on yesterday's close of 69p, supported by a yield of more than 6 per cent.

Macdonald Martin Distilleries a wee dram higher at £8.6m

By Peggy Hollinger

SOBER Christmas revellers dampened spirits at Macdonald Martin Distilleries, maker of Glenmorangie and Glen Moray whiskies, which yesterday revealed profits only £240,000 higher to £8.6m for the year to March 31.

Mr David Macdonald, chairman, said a lack of consumer demand during the vital Christmas period had resulted in an overhang of stock last year. Nevertheless, he was pleased with the profits progress despite the effects of the "deep and persistent recession worldwide".

The advance had been achieved on sales 7 per cent down at £31.8m. This was the result of lower overheads through increased efficiencies, better deals on raw materials and job losses through natural wastage.

Mr James Fyfe, finance director, said the company had also increased its share of a declining international malt market during the past 12 months. International malt whisky volumes fell by 9 per cent, while MMD's shipments fell by just 4 per cent.

Mr Fyfe said a strong performance in Japan – where sales jumped by 20 per cent compared to a market decline of 20 per cent – had helped to cushion the effect of tougher trading in the US. Shipments there were down by 10 per cent.

In the UK, excise duty and VAT increases combined with recession to depress sales for the first time in almost 10 years.

Customer demand fell by about 11 per cent in the UK, Mr Fyfe said.

He added that the excess stock had worked its way through the system since December, although production was being cut by 15 per cent this year.

Blended whiskies – which represent about 500,000 cases a year, compared with 160,000 for malt – were expected to suffer increasing margin pressures due to lower prices, Mr Fyfe said. Yet MMD had managed to increase overall margins last year by 2.6 points to 26.9 per cent.

Earnings per A share rose from 39.74p to 41.88p. The final dividend is raised 10 per cent to 6.6p for a total of 8.8p (8p).

AJ Archer suffers 62% fall to £267,000

By Richard Lapper

AMID EXTREMELY difficult trading conditions at the Lloyd's of London insurance market, AJ Archer Holdings, the listed Lloyd's agency group, reported a 62 per cent fall in pre-tax profits, from £708,000 to £267,000, in the six months to March 31.

Earnings per share fell to 0.7p (1.9p). The interim dividend is 2.2p (3.15p).

During the half year agency fees rose to £1.21m (£1.19m), but fees received for winding up – which are no longer receivable by managing agents – dropped to just £4,000 (£137,000).

Operating expenses rose to £1.17m (£987,000), principally due to the inclusion of the costs relating to the Henry G Nicholson members' agency last year.

Interest receivable also fell – reflecting falling interest rates and less money on deposit – to £215,000 (£373,000).

Archer warned that profitability would be further depressed when the group reports its results for the full year since profit commission earned from the 1989 underwriting year and received since March 31 fell to £700,000 (£2.2m).

Of the 10 syndicates managed by the group in 1989 half produced profits and half losses, with two of the syndicates' losses amounting to less than 1 per cent of stamp (capital base).

For the 1992 year of account Archer's managed capacity – the amount of premium income its syndicates are allowed to accept according to Lloyd's rules – fell from £330m to £290m.

The group's members' agency capacity rose to £24.6m (£16.8m).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
ABI Leisure ....int	1.57	July 1	1.57	-	4.7
Acatos & Hutch ....int	2.5	July 27	1.75	-	5
Archer (AJ) ....int	2.2	Aug 20	3.15	-	4.4
Babcock Intl ....fin	1.9†	Aug 28	1.8	3.15	3
City of Ldn PR §....fin	2.14	July 24	2.05	3.18	3.09
European Colour ....fin	0.4	July 20	0.4	0.65	0.65
Greyfriars Inv ....int	2	June 30	2	-	6
Fleming High Inc....fin	1.45	July 1	1.45	5.8	5.75
Macdonald Martin....fin	6.6	July 31	6	8.8	8
M&G ....int	9	July 1	8.25	-	19
MEPC ....int	5.25	July 14	5.25	-	20
North West Water....fin	13.13	Oct 1	12	19.67	18
PCT § ....fin	4.5†	July 28	4	7	6.4
Rolfe & Nolan ....fin	3.9	July 24	3.5	5.2	5.6
Scottish Inv Tst....int	1.6	July 20	1.5	-	4.4
Scottish Power ....fin	6.75	Oct 23	-	10.13	-
Sheldon Jones § ....int	nil	-	1.35	-	2.58
Smart (J) ....int	2.3	July 13	2.15	-	7.95
South West Water ....fin	14.8†	Sept 1	13.3	21.7	20
Thorn EMI ....fin	21.5	-	21.5	30.5	30.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Two privatised water companies report increased annual profits

North West achieves £230m

By Jane Fuller

NORTH WEST Water Group, second largest of the privatised water companies, increased pre-tax profit by 7 per cent to £230m in the year to March 31.

Turnover rose from £599m to £789m, including £153m from the process engineering division, built up through nearly £150m of acquisitions over the past 18 months. At the pre-tax level, the new division contributed £3.7m.

The final dividend is raised to 13.13p, making a total of 19.67p (18p), a 9 per cent increase. On yesterday's closing price of 436½p, the yield is 6 per cent.

Prices to the consumer were increased by nearly 16 per cent, according to a formula that added 5 per cent to the inflation rate. This year's rise has been set at 9 per cent.

The inflation-plus increases take account of a huge capital spending programme to renovate North West's 70,000 km of pipes and to improve the system in line with more stringent regulations on water quality and sewage treatment.

Mr Bob Thian, chief executive, said the estimate for the amount the group must spend this decade was now about £5bn, but that did not take account of work needed to meet higher standards. "The people who voted through these standards have not considered the costs," he said.

Last year, capital spending rose from £408m to £512m. This year it would be well over £550m and it would peak in 1993-94.

The company went from net cash of £4.8m to net debt of £296.4m, gearing of about 17 per cent which would double this year. Mr Thian said the group could live with gearing of 60 to 70 per cent.

Net interest costs of £15.6m compared with income of £27.9m.

A restructuring charge of £30.2m (£32m) was taken above the line and the charge was expected to fall this year. Mr Steve McAdam, finance director, said the main element was reducing the head count. The number employed fell from 6,614 to 5,450 and the average severance payment in the voluntary redundancy scheme was £30,000.

Manpower costs fell by 3 per cent to £81m. Mr McAdam said this was a 12 per cent reduction in real terms because the average pay rise was 9.2 per cent.

Earnings per share rose by nearly 7 per cent to 57.9p (54.3p). The group pays no mainstream corporation tax. Irrevocable ACT on dividend payments amounted to £23.3m.

Mr Thian said a memorandum of understanding with the industry's regulator would enable an extra £360m to be spent on quality and service over a much shorter period than had been envisaged. When pricing was reviewed in 1995 this would be taken into account and a return of 7 per cent would be allowed on the investment.

This would limit the reduction in prices that would otherwise have been imposed to reflect gains in efficiency.

Bob Thian: capital spending of at least £5bn needed

South West Water up £1.8m to £90m

By Peggy Hollinger

PRICE INCREASES and cost-cutting helped South West Water achieve a 2 per cent rise to £90m in pre-tax profits last year, after spending £172m of a planned £2bn capital investment programme.

Mr Ken Hill, finance director, said the company had achieved its capital expenditure target "on time and on budget".

Some £2bn is scheduled to be spent on waste treatment, water supply and quality before the end of the decade.

About £600m of the programme will be funded by consumers through Ofwat-approved price increases of more than 16 per cent last year and 11.5 per cent annually until 1995, when the next regulatory review is due.

Mr Hill said the price increases were likely to continue at a similar level for a few years after 1995. "Turnover will show quite dramatic growth both in price terms and in real terms," he said.

Mr Keith Court, chairman, said the rises would "provide a firm base on which to build the long-term business".

Mr Hill said SWW's investment programme was repairing the damage inflicted by "a century of neglect" under government ownership. He said customers were already seeing the benefits of the investment, with no restrictions on water having been imposed during the recent hot spell.

Capital expenditure for 1992-93 – the fourth year of the programme – was expected to be about £215m, with the emphasis on marine sewage treatment. SWW has provoked some controversy over its plans to release treated waste into the sea off Cornwall.

Mr Hill said the company intended to concentrate on developing its marine sewage expertise to expand overseas in the medium to long-term.

Last year's price rises helped turnover advance by 16 per cent to £166.5m, including £7.2m from the recently established non-regulated businesses. However, tight control of costs – which rose by 10 per cent to £102.5m – meant that operating profits for the year to March 31 jumped 25 per cent to £64.2m.

A 30 per cent drop in interest receivable to £25.9m – the fruits of the £266m cash dowry bestowed by the government upon privatisation – held back growth in pre-tax profits, which advanced by £1.8m to £90m. SWW retained a net cash pile of £150m, said Mr Hill.

After charges of £9m – due to write-offs on advance corporation tax – and dividend payments, retained profits actually fell by £1.7m to £54.8m.

Earnings per share rose by 0.3p to 66.1p. The dividend was raised by 1.3p to 14.6p, for a total of 21.7p. The shares fell 9p to close at 437p.

See Lex

Keith Court: the rises provide a firm base for growth

YOUR DAILY BUSINESS BRIEFING

Storehouse reshuffles senior management

By John Thornhill

MR DAVID Dworkin, chief executive designate of Storehouse, has wasted little time in making his influence felt at the retailing conglomerate, which includes BhS, Mothercare and Habitat.

Yesterday, the company announced a reshuffling of its senior management which will lead to the departure of Mr Michael Harvey as chairman and chief executive of Habitat and the promotion of two BhS directors who worked closely with Mr Dworkin in turning round the clothing and houseware company.

Ms Ann Iverson, BhS's American stores director, who previously worked with Mr Dworkin at Bonwit Teller, the US fashion chain, has been appointed chief operating officer at Mothercare, the childrenswear chain which has failed to exploit its strong market position.

Mr Steve Bedford, human resources director at BhS, will also assume the post of group development director responsible for integrating managerial and operational functions across Storehouse's subsidiary companies.

Storehouse said the management at Habitat had been substantially reorganised over the past few weeks with greater responsibility being devolved to three operating companies.

Habitat's central management had been reduced – leading to the departure of Mr Harvey – and the directors of the three operating companies will now report to Mr David Simons, Storehouse finance director, who will take on additional responsibilities as Habitat's chairman.

Mr Harvey was on a three-year contract and will receive redundancy pay for loss of office.

Mr Dworkin will succeed Mr Michael Julien as Storehouse chief executive in July. See Lex

Euro Colour declines to £46,000

European Colour, a maker of dyestuffs and pigments and paints and varnishes, yesterday announced pre-tax profits down from £462,000 to £46,000 for the year ended March 31 on turnover virtually unchanged at £13.3m compared with £13.5m.

Mr John Finchett, chairman, said that recession in one market sector reduced sales in the second half. Profits, depressed in the first half by non-recurring expenditure, did not recover in the second half.

After a tax credit of £54,000 (£99,000 charge), attributable profit came through at £100,000 (£364,000).

The dividend is held at 0.65p, with a final of 0.4p.

Cost cutting behind 15% advance at Scottish Power

By Juliet Sychrava

SCOTTISH POWER, one of the two large Scottish electricity generation and supply companies, yesterday reported profits before tax and exceptional items of £259.9m for the year to March 31, an increase of 15 per cent.

Turnover was up 11.5 per cent at £1.38bn, although unit sales were slightly lower, reflecting the closure of the Ravenscraig steel works and a mild winter. Prices rose approximately 6 per cent over the year.

But the main factor behind the improvement in profits was cost cutting.

The company cut some £13m off its wages bill by losing 770 jobs, reducing the workforce to just over 8,700. It also cut its fuel bill, which represents about 60 per cent of costs, by burning cheap oil.

The company also enjoyed some one-off benefits last year. It would normally have paid tax and dividends for the year to March 1991 this year, but because it was floated that year, it did not incur these charges.

This meant it had cash to set against its debt, and the net interest charge fell from £35.2m to £21m.

Last year's profit was also depressed by exceptional and extraordinary items relating to the company's privatisation and restructuring, including provisions for job losses.

Earnings per share advanced to 25.2p, and a recommended final dividend of 6.75p brings the total to 10.13p.

Net debt fell to £123.9m compared with £284m, giving gearing of 18.3 per cent, against 51.4 per cent.

Mr Murray Stuart, formerly chief executive of Berisford International, is to become chairman in July, when Sir Donald Miller retires.

Mr Ian Preston, chief executive, said he believed the board now had an excellent mix of experience, and considerable financial expertise.

COMMENT

Scottish Power is a true utility, and as such can do little to excite the City. Its core business will grow slowly but surely through a mixture of careful cost-squeezing and unit sales growth. Next year, sales should be up 1.5 per cent, while the £50m left in the provisions for restructuring implies that more jobs will go. Fuel costs will also fall next year, when the Miller gas field comes onstream, providing the company with cheap gas. In the longer term, it will have to look for additional growth from non-core businesses. The retail side is doing nicely, with sales up 30 per cent and a small profit after two acquisitions. Time will tell if more will come from the infant gas marketing business, or application for a telecoms licence. Current year forecasts are in a £285m to £295m range pre-tax, giving earnings of between 24.9p and 25.6p, and a prospective p/e between 8.8 and 10.2.

Betacom finance plan could leave Amstrad with 72% stake

By Michiyo Nakamoto

AMSTRAD, which has interests in computers and satellite dishes, is poised to take up to 72 per cent of Betacom, the telecommunications equipment distributor.

Betacom, which is currently trading at a loss, is raising £8.4m by way of a share subscription by Amstrad and a rights issue aimed at strengthening its equity base.

Amstrad is subscribing for 23.95m new ordinary shares in Betacom at 18p per share. In addition, the rights issue of 23.37m new ordinary shares on a 3 for 4 basis at 18p per share is fully underwritten by Amstrad.

Betacom's shares closed ½p higher yesterday at 18¾p.

Betacom has recently experienced deteriorating trading conditions, lower sales and higher customer returns. Last year it reported a reduced loss of £515,000 (£2.44m) on sales of £19.3m (£18.3m).

Under its current financial circumstances its bank has refused to continue its support without a significant equity injection.

Amstrad has recently been moving into the telecommunications equipment business and has announced its intention to market videophones. It took at 29.5 per cent stake in Betacom in February.

It said that rather than see its investment in Betacom acquired for £1.6m, it had decided to support Betacom's capital increase.

Depending on the outcome of the rights issue, Amstrad could end up with 72 per cent of Betacom's enlarged capital. Its total investment in the company would amount to £10.1m.

Furthermore, if the rights issue flops Amstrad, the directors and other shareholders currently holding over 5 per cent of the company could end up with in excess of 75 per cent of Betacom, which would lead it to be in breach of the Stock Exchange's listing requirement that a minimum of 25 per cent of a company's share capital should be in public hands.

Allied-Lyons disposes of more pubs

ALLIED-LYONS, the drinks, food and retailing group, has disposed of 300 pubs in the latest stage of its compliance with government orders requiring it to free 2,380 pubs from tied beer supplies, writes Andrew Bolger.

The pubs, mainly in the Midlands and south-east of England, were sold for an undisclosed amount to Sycamore Taverns, a company formed to operate tenanted houses only.

Allied has only to dispose of a further 300 pubs to comply with the government order, bringing its estate down to 4,400 properties. Last week the group reported that it had reached agreement with the Office of Fair Trading over the leasing of 734 pubs to Brent Walker, the leisure group.

The properties in the latest agreement were from Tetley Walker in the north of England, Ansells in the Midlands and Ind Coope Retail and Taylor Walker in the south-east.

Sycamore Taverns was formed by five senior executives, previously with Grand Met, Whitbread and Courage.

Lloyds Chemists sells Renacare for £5m

LLOYDS CHEMISTS, which in March won control of Macarthy with a £93.5m bid, has sold one of the acquired subsidiaries for £5m, writes Jane Fuller.

Renacare, a maker of renal dialysis fluids, is being purchased by WR Grace, a North American speciality chemicals company.

Lloyds said Renacare, based near Romford, comprised about 40 per cent of the £9m turnover at Macarthy Laboratories, and less than a quarter of its £7.6m net assets.

Lloyds was mainly interested in the retailing and drugs distribution parts of Macarthy, which means there may be one or two other disposals.

- Lloyds has bought Millnew, which trades as National Veterinary Supplies, in a deal worth £1.88m. NVS was formed in 1989 and operates three wholesale depots, supplying veterinary practices throughout the UK.

COMPANY NEWS: UK

M&G achieves 9.5% improvement to £19.9m

By Philip Coggan, Personal Finance Editor

M&G, the fund management group, yesterday announced a 9.5 per cent increase in interim pre-tax profits in a period when it launched two substantial investment trusts.

The two trusts – Income and Recovery – attracted £376m of investors funds.

However, heavy marketing costs of £10.4m for the launches meant that the contribution to operating profit from the trusts was just £600,000.

Funds under management at March 31 were £8.64bn – down some 4 per cent from £9.01bn at September 30 – largely reflecting poorer stock markets. The FT-A All-Share Index fell 7.4 per cent over the period.

Unit trust sales were poor, with redemptions of £203m outweighing sales of £158m. However, some potential demand may have been diverted into the investment trust launches, according to Mr Paddy Linaker, managing director. Total sales of personal equity plans were £258m of which £31m related to unit trusts and £227m to investment trusts.

Sales of single premium life and pension policies were £71m, compared with £53m in the first period of 1990-91. New annual premiums were £6.4m (£7m).

Group operating profits in the six months to March 31 were £17m (£14.9m) and after reduced interest receivable of £2.86m (£3.27m), pre-tax profits were £19.9m (£18.2m).

A slightly higher tax charge resulted in earnings per share advancing only 8.5 per cent to 18.27p (16.84p).

The interim dividend goes up from 8.25p to 9p.

COMMENT

If anyone doubted that fund management is a low margin business, they should look at M&G's figures. Profit from raising £376m of new investment trust money was just £600,000, although the group can look forward to the management fee on that business for the next decade. There are unlikely to be any further trust launches in the near future and judging by the first half, sales of the group's unit trusts are proving a struggle. Perhaps the recent performance figures have not been good enough; certainly the recession has hit the group's high-yield/recovery stock-picking style. M&G's philosophy should come back into fashion as the economy picks up but even so the shares, on a prospective p/e of 17 on a forecast of £41.5m, look high enough for the moment.

Paddy Linaker: Pep sales amounted to £258m

Expedier defers preference dividend

By Richard Gourlay

EXPEDIER Leisure, the ticketing and box office computer group, yesterday deferred payment of preference dividends and delayed publication of its results for the 1991 year pending the outcome of discussions with its bankers.

The shares fell 2½p to 6p, some 2p below the price at which the group was rescued in a 1-for-1 rights issue last November.

Mr Conor O'Brian, chief executive, said trading losses were likely to be £3.5m. Losses after exceptional and extraordinary items were expected to amount to £6.3m.

The group said it was trying to sell its TV and film production furniture hire business and planned to sell its sports promotions division to a management buy-out.

It may also be forced to sell its box office computer systems company (BOCS) to reduce bank facilities of £2.93m.

If all these are sold, Expedier would be left with little more than its 50 per cent stake in The Ticketing Group, a joint venture with Wembley.

This venture combines Wembley's Box Office and Keith Prowse ticket retailing services with Expedier's First Call business.

Expedier's directors said the interest in the Ticketing Group would provide a firm base for future development.

It is, however, difficult to see the justification for such a small company maintaining a public quotation.

Mr O'Brian said directors were confident the group's bankers would extend facilities until the disposals.

Sales volumes at the Ticketing Group were ahead of budget in the first four months of 1992 and BOCS had been awarded three new contracts this year.

20% of Wellcome equity expected to be held in US after July flotation

By Paul Abrahams

ADVISERS TO Wellcome, the UK pharmaceuticals group, expect as much as a fifth of its equity will be held in North America after July's flotation of up to 50 per cent of its stock.

The company is applying for a "big board" listing on the New York Stock Exchange to encourage US investors. Both Glaxo and SmithKline Beecham have such listings. Their US shareholdings are 27 per cent and 35 per cent respectively.

The proportion at Wellcome, which is only on the pink sheet and is not quoted live, is only 2 per cent.

Wellcome is preparing a series of roadshows in Europe and the US, and possibly the Far East to generate interest in the flotation. The company believes that after the offer about 5 per cent of the stock will be held in the Far East and about 5 per cent on the Continent.

Last month Wellcome Trust, the charitable body which owns 73.6 per cent of Wellcome, was given permission by the Charity Commission to sell up to 417m shares, reducing its holding in the company to as little as 25 per cent.

The issue could raise more than £4bn.

Meanwhile, the company announced yesterday it has set up a co-marketing agreement with Wyeth-Ayerst, a subsidiary of American Home Products, to promote Zovirax in the US for the treatment of chicken pox.

The move is part of Wellcome's strategy of supplementing its own sales forces though co-marketing agreements to exploit its marketing weakness. It has already set up agreements to market Zovirax with Hoechst in Germany, Sigma Tau in Italy and Sumitomo in Japan.

Wyeth-Ayerst will be responsible for selling the drug directly to paediatricians, while Wellcome's American subsidiary, Burroughs Wellcome, will focus on other primary care physicians. Burroughs Wellcome has about 780 sales representatives.

About 3.4m people contract chicken pox in the US each year. Before the agreement, SG Warburg, the company's broker, estimated additional sales of Zovirax for chicken pox would be about £15m by 1994. This assumed 20 per cent of patients would use the drug which costs between $35 and $50 per treatment.

Merck of the US has developed a chicken pox vaccine, but it has not yet been licenced.

● Glaxo, the UK drugs giant, yesterday opened a £16m research and development centre at the Madrid high technology park north of the Spanish capital. The centre will be staffed initially by 75 scientists and technicians and will eventually have 200.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Cakebread Robey, Hunter Saphir, Park Foods, Southnews.
Finals- Dakota.

FUTURE DATES

Interims-	
ASEA	Aug. 28
Hewitt	June 11
Intereuro	June 15
London Scottish Bank	June 10
Perpetual	June 2
Turkey Trust	June 3
Finals-	
Airsprung Furniture	June 10
Emap	June 9
Heath (CE)	June 9
Smith New Court	June 11
South Western Electricity	June 30
Vibroplant	June 18

NEWS DIGEST

ABI Leisure shows 9.3% rise to £1.3m

PRE-TAX profits of ABI Leisure Group, the caravan manufacturer, showed a 9.3 per cent advance to £1.3m in the six months to February 29.

The outcome compared with £1.14m last time and came from turnover up 10 per cent, from £25.5m to £28.1m.

Mr George Shiels, chairman, said the economic environment remained difficult but there were a few signs that the all-important economic recovery was beginning.

The interim dividend is maintained at 1.57p, payable from earnings per share of 3p (2.8p).

Silentnight buys German bed maker

Silentnight Holdings, Europe's biggest manufacturer of beds, has agreed to buy Matthias Houben, a bed and mattress manufacturer based near Düsseldorf.

The Lancashire company will pay an initial £2.7m cash for the German company, its first manufacturing base on the Continent, and a maximum of £4.25m, subject to profit targets over the next two years. Houben made a pre-tax profit of £900,000 on turnover of £8.78m in 1991.

Rolfe & Nolan dips to £1.39m

Rolfe & Nolan, the futures and options computer bureau and software specialist, reported a 4 per cent decline in pre-tax profits to £1.39m for the year to February 29.

That compared with £1.45m last time and came from a 7 per cent improvement in turnover from £6.3m to £6.74m.

Mr Tim Hearley, chairman, said the company had significantly more short and medium-term licence sale prospects than at this time last year, particularly in Denmark, Germany, Italy, Switzerland and the UK. And there were signs that the ordering cycle was speeding up again.

A final dividend of 3.9p is proposed, making an improved total for the year of 6.2p (5.6p). Earnings per share came out at 15.9p (17.7p) after a higher tax charge of £507,000 (£496,000).

J Smart suffers downturn to £1.58m

J Smart, the Edinburgh-based contractor and property investor, saw pre-tax profits fall by £360,000 to £1.58m in the six months to end-January as the recession continued to take its toll on the building industry.

Turnover fell from £7.91m to £7.1m and the company expects the year-end figure be less than last year.

The interim dividend is raised to 2.3p (2.15p) despite a fall in earnings per share to 10.5p (12.04p).

Mr John Smart, chairman, said the volume of work in hand in contracting was higher than last year, although there was no sign of improvement in prices.

Private house sales were sluggish and private housing in hand was less than last year, he said.

Fleming High net asset value lower

The Fleming High Income Investment Trust reported a net asset value of 88.7p at April 30 against 91.4p a year earlier.

Net revenue for the 12 months improved from £1.53m to £1.8m for earnings per share of 5.88p (5.77p). An unchanged fourth interim dividend of 1.45p is declared for a total of 5.8p (5.75p).

Falling car sales put brake on Caffyns

Falling sales of new cars and losses at four showrooms reduced Caffyns, the Sussex-based motor group, to little more than break-even last year.

Pre-tax profit fell from £711,000 to £63,000 on sales of £127.8m (£133.9m) in the year to March 31.

The cost of closing four sites plus their second-half losses led to £535,000 exceptional costs, set against gains of £295,000 on property sales in the first half.

Operating profit of £1.53m (£2.46m) only just covered net interest costs of £1.47m (£1.76m). No figures were available for net debt or gearing.

Although the family-controlled group lost 5.6p per share, against earnings of 13.9p, the final dividend is maintained at 6.5p to give an unchanged total of 11.5p, costing £473,000.

Recruitment pushes ATA into £0.4m loss

ATA Selection incurred a pre-tax deficit of £400,000 in 1991 as losses of £590,000 in the discontinued recruitment subsidiary offset a profit of £190,000 from financial services.

There were also extraordinary charges of £521,000 for closure costs, bringing the overall loss to £695,000 after a tax credit of £227,000.

But there were now signs of economic recovery and the remaining financial services division was expected to improve its performance this year. With the elimination of losses from the closed recruitment division directors said they could report a return to profits.

In 1990 the group made a pre-tax profit of £41,000, comprising a £278,000 loss in recruitment and a £319,000 surplus on the financial side.

Turnover in 1991 came to £5.27m (£6.64m) with financial accounting for £2.75m (£2.64m). Losses per share were 1.09p (earnings 0.16p) and there is no dividend (interim 1p last time). The company's shares are traded on the USM.

British & American asset value jumps

British & American Film Holdings reported higher profit and dividend and a substantial lift in net asset value.

Over the 1991 year the asset value rose from 701.9p to 880.8p; at May 8 it stood at 908.8p. All valuations excluded film rights.

Profit before tax came to £1.27m (£1.23m) and earnings per share to 34.4p (32.5p). The final dividend is 7.22p to make 10.695p (9.3p), and there is a bonus of 5p.

Downturn at City of London PR

In spite of a better second six months compared with the opening half, full-year profits of the City of London PR Group, a USM-quoted provider of specialist investor and press relation services, fell by 14.5 per cent to £530,837 pre-tax.

Consolidation of IRB International, a market research business acquired some 12 months ago, boosted turnover for the year to end-March from £689,000 to £2.19m.

The IRB offshoots made a small profit in the final quarter and is expected to make a "significant contribution" for the year ahead.

Earnings emerged at 4.78p (4.9p). The dividend for the year is being lifted to 3.18p (3.09p) via an increased final of 2.14p.

COMPANY NEWS: UK

Europa Minerals seeks £3.97m via rights

By Kenneth Gooding, *Mining Correspondent*

FOLLOWING THE recent boardroom upheaval at Europa Minerals, the UK mining finance house, the group is dropping a cash-raising plan which would have involved companies associated with Sir Ron Brierley, the New Zealand entrepreneur, and is instead recommending a rights issue shares to raise a net £3.97m.

The 9-for-4 issue at 5p a share is fully underwritten by Henry Ansbacher.

At a recent special meeting some institutional investors supported moves by Austmin, a small Australian mining company which is the biggest shareholder in Europa, to remove Europa's three non-executive directors and replace them with Mr Guido Staltari and Mr Robert Duffin, both Australians and executive directors of Austmin.

Europa said yesterday their appointment would add substantially to the board's knowledge of the Australian mining industry – a large part of the group's operating assets are in that country.

Mr Duffin said Austmin would fully take up its rights and was partly sub-underwriting the issue so it expected to increase its present 14.5 per cent stake in Europa to between 18 per cent and 20 per cent. "We believe in Europa and its assets and are putting our hands into our pockets to prove it."

With Europa's shares at $4\frac{1}{2}$p each yesterday, he expected underwriters to be left with between 40 per cent and 60 per cent of the new shares.

Many of the sub-underwriters were Australian residents or institutions because, said Mr Duffin, "there is support for small resource companies there not available in the UK." So the Europa board intends to seek a listing on the Australian Stock Exchange but will keep an office in London and its London quote.

The cash raised will be used to reduce Europa's bank debt by about £3.57m and other debts by about £400,000. Europa's cash flow from operations at present is not sufficient to meet interest payments and fixed costs.

Touche Ross has confirmed that, subject to the rights issue becoming unconditional, it will give an unqualified audit opinion on Europa's accounts for the year to January 31 1992.

Europa said it would remain a diversified operating and investment group in the natural resources sector.

The board in future would take a more active role in the management of Burmine, the Australian gold producer of which Europa owns 41.8 per cent, and the Preston Coal Company in New South Wales. Previously the board intended to withdraw from the Preston venture, 50 per cent owned by Europa.

Burmine's initiative to increase gold production to 50,000 troy ounces a year via a joint venture with Golden Valley Mines, has the strong support of the Europa board.

Europa will also retain its oil and gas interests which provide it with most of its cash flow.

The company said it expects to further reduce its operating overheads and administrative expenditure.

Brokers to the rights issue are Kleinwort Benson Securities and John East and Partners.

NEWS DIGEST

Sheldon Jones calls for £2.15m

SHELDON JONES, the USM-quoted pet foods, garden and timber products group, plans to raise about £2.15m net through a conditional placing and open offer of £2.45m convertible loan stock to be issued at par.

At the same time it announced a pre-tax loss of £663,000 for the six months to December 28 compared with profits of £44,000.

The loss was after an exceptional £240,000 (£57,000), being the costs associated with the resignation of the previous chairman and chief executive.

There was also an extraordinary charge of £310,000 (nil) arising from the disposal of Seed Producers and an adjustment to write off goodwill from its acquisition, previously offset against capital reserves.

Turnover amounted to £6.29m (£6.57m). Losses per share amounted to 11.2p (0.8p earnings) and there is no interim dividend (1.38p).

Mr Richard Sheldon, chairman, said the group was currently trading profitably. The proceeds from the placing would be used to invest more into the core business, principally the Pascoe's pet food business.

Scottish Inv Trust net assets improve

The net asset value per share of the Scottish Investment Trust showed a modest improvement to 208.3p at the six months ended April 30, against 198.5p a year earlier and 206.2p at the October year end.

Gross income, including underwriting commission of £82,000 (£77,000), rose by 10.4 per cent, from £9.74m to £10.75m. Earnings per share came out at 1.83p (1.56p) and the interim dividend is raised to 1.6p (1.5p).

Stoddard Sekers pays £1.2m for BMK

Stoddard Sekers International, which makes Wilton and Axminster carpets and fabrics, has acquired BMK Holdings for £1.21m cash.

BMK Holdings' operating subsidiary, BMK, is based in Ayrshire and makes Axminster, Wilton and tufted carpets for the UK and overseas markets. Its carpet ranges complement Stoddard's existing products.

Operating profits of BMK Holdings were £900,000 for the year to March 31 and the value of net assets being acquired were estimated at £3.65m.

Coplex withdraws bid for Tuskar

Coplex, the Australian exploration company, has withdrawn its all-share bid for Tuskar Resources, the Irish oil exploration group, having received acceptances of 47.6 per cent by the closing date.

Earlier this month Tuskar recommended acceptance of the offer.

A statement made on behalf of Coplex said given the likely time needed to reach the objective of acquiring 80 per cent of Tuskar, it had decided to allow the offer to lapse.

Since the offer was made in March, Coplex has acquired a derived 54 per cent interest in Tuskar's exploration licences in Colombia, its principal asset.

The interest was acquired in exchange for 10m Coplex shares and an undertaking to carry out drilling obligations in the licence areas over the coming year.

Tuskar was in danger of losing the licences by June, as it was unable to raise the necessary finance to continue the drilling programme.

TDS Circuits losses cut to £0.92m

Improved cost control to reduce the break-even point helped TDS Circuits, an electronics component manufacturer, to cut year-end losses before tax to £921,000 compared with £2.14m.

The result was achieved with turnover kept broadly constant at £6.02m against £6.23m. Export value rose by £726,000 to £2.78m.

Orders remained strong, particularly in the second half.

Clarke Nickolls reduces deficit

Clarke, Nickolls & Coombs, the property company, cut year-end pre-tax losses to £727,000 against £7.2m after an exceptional charge of £1.5m compared with £8.5m.

Mr Eric Lyall, chairman, said the outlook was "a little brighter" and added that provision had been made for losses on development operations following the decision to withdraw from that sector of the market.

Administrative expenses were reduced by a further 10 per cent to £905,000 and would continue to fall with the reduction in activities, he said.

There is no dividend.

PCT improves 9% to £1.17m

Profits before tax of the PCT Group rose by 9 per cent to £1.17m for the year to end-December after taking account of a £126,000 fall in interest charges to £367,000.

However, a rise in the tax charge from 36 per cent to 38 per cent left earnings per share lower at 13.8p.

Turnover declined from £18.9m to £17.9m – the USM-quoted group has interests in the marketing, hire and development of power tools and lifting and welding equipment.

A proposed final dividend of 4.5p on the enlarged capital makes a 7p (6.4p) total.

PUBLIC WORKS LOAN BOARD RATES

Effective May 28

Years	Quota loans* †	††	§
1			$9\frac{7}{8}$
Over 1 up to 2	$9\frac{7}{8}$	$9\frac{7}{8}$	$9\frac{7}{8}$
Over 2 up to 3	$9\frac{7}{8}$	$9\frac{7}{8}$	$9\frac{5}{8}$
Over 3 up to 4	$9\frac{3}{4}$	$9\frac{3}{4}$	$9\frac{5}{8}$
Over 4 up to 5	$9\frac{5}{8}$	$9\frac{5}{8}$	$9\frac{5}{8}$
Over 5 up to 6	$9\frac{5}{8}$	$9\frac{5}{8}$	$9\frac{3}{4}$
Over 6 up to 7	$9\frac{5}{8}$	$9\frac{5}{8}$	$9\frac{3}{4}$
Over 7 up to 8	$9\frac{5}{8}$	$9\frac{5}{8}$	$9\frac{7}{8}$
Over 8 up to 9	$9\frac{5}{8}$	$9\frac{3}{4}$	$9\frac{7}{8}$
Over 9 up to 10	$9\frac{3}{4}$	$9\frac{3}{4}$	$9\frac{7}{8}$
Over 10 up to 15	$9\frac{7}{8}$	10	10
Over 15 up to 25	10	10	10
Over 25	10	10	$9\frac{7}{8}$

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

JOBS: How executive pay varies across Europe

Swiss slide below the Brits

IT cannot be denied any longer – the ski-lift has definitely gone into reverse. Over nigh on a decade of comparing the buying-power enjoyed by European executives, I became so used to seeing the Swiss soaring high above everybody as to doubt they would ever be knocked off the peak.

Indeed, such was their supremacy that even when the Spanish and the Luxembourgeois edged above them 12 months ago, I felt sure they would be back at the top this year. How wrong I was may be seen from the table over to the right: they have been overtaken by their counterparts in yet another four nations, including the United Kingdom. But before commenting further, I'll explain how the table works.

As in previous years, it is drawn from the annual survey made by the Wyatt consultancy group's arm in Brussels. The latest version covers 1,470 companies of assorted sizes and activities in 17 European countries, and gives supplementary data on the United States and Turkey. Of the 17 countries, Belgium supplies the biggest sample of companies with 230, the smallest sample being Luxembourg's 36. The study also gives information on pay and perks for nine kinds of specialist directors as well as chief executives, divided into company-turnover bands.

All of which is of course more than I have room for. Anyone wanting the full report can obtain it, at a price, from either Jean-Pierre Becquet at 273 Avenue de Tervuren (box 4), 1150 Brussels, Belgium: tel (02) 771 99 10, fax (02) 762 37 43; or Don Blume at 21 Tothill St, London SW1H 9LL; tel 071-222-3033, fax 071-222 9182.

My extracts are confined to chief executives and just two of other directors, of finance and personnel, across companies of all sizes in each land. And I have included only the dozen best-paying countries, converting the currencies into sterling at the London closing rates on May 20.

In each case, the table gives basic salaries, total money pay including bonuses, and a rough measure of buying power. The three lower quartile columns refer to the executive who'd be a quarter of the way up from the foot of a ranking of all in the same job and land, the "median" to the one mid-way, and the "upper quartile" trio to the one a quarter way down from the top. Then come the standard averages.

The buying-power is calculated by taking the total cash pay, deducting the particular country's normal tax and social security charges for a person with the specified income who is married with two dependent children, then adjusting the resulting net pay in line with Wyatt's index of international variances in executives' living costs.

Alas, it is a loosely approximate measure at best. The reason is that, since survey companies evidently find it impossible to devise a gauge of housing costs that is consistent across different countries, that central item of spending is left out of account. Nevertheless the index is the best measure available of what pay is worth, and the countries are ranked by the average buying power of the three executives listed.

On that criterion, the Spanish hold the top place they gained last year, with the Italians leapfrogging into second place out of the Luxembourgeois who rank above the French by dint of paying the two specialist directors better. That is also why the Swiss are higher than the Austrians, although both are now below the UK and in the lower half of the ranking. Among the rest, the Belgians have regained the slight lead over the Dutch which they lost 12 months ago.

Michael Dixon

COUNTRY	JOB CATEGORY	LOWER QUARTILE Basic salary £	LOWER QUARTILE All cash pay £	LOWER QUARTILE Buying power £	MEDIAN Basic salary £	MEDIAN All cash pay £	MEDIAN Buying power £	UPPER QUARTILE Basic salary £	UPPER QUARTILE All cash pay £	UPPER QUARTILE Buying power £	AVERAGE Basic salary £	AVERAGE All cash pay £	AVERAGE Buying power £
SPAIN:	Chief executive	63,624	74,050	50,190	76,987	89,514	58,681	91,201	101,517	64,294	82,309	94,001	60,579
	Personnel director	47,003	49,471	37,378	57,538	63,563	45,271	74,023	81,321	54,214	60,922	66,676	46,673
	Finance director	47,582	48,717	36,909	56,790	60,944	43,335	70,175	77,407	52,484	59,138	65,011	45,506
ITALY:	Chief executive	67,978	74,398	43,632	83,622	98,649	55,964	106,160	129,692	72,328	87,829	104,048	59,027
	Finance director	45,802	48,332	29,742	58,273	63,241	37,053	72,072	77,280	44,585	61,015	65,381	38,348
	Personnel director	48,287	48,518	29,390	57,539	60,304	35,950	66,582	73,101	42,877	57,765	61,813	36,910
LUXEMBOURG:	Chief executive	56,856	61,426	42,230	68,607	82,753	53,445	83,002	99,221	62,014	72,521	82,371	53,198
	Personnel director	41,260	45,290	33,988	47,114	53,483	38,441	65,158	70,168	46,777	53,201	57,612	40,208
	Finance director	41,990	44,859	33,844	49,022	53,101	38,187	61,211	66,383	44,945	52,965	57,032	39,803
FRANCE:	Chief executive	63,637	72,615	45,967	82,360	92,304	54,197	101,185	130,214	65,899	85,318	103,603	57,960
	Finance director	40,531	43,009	29,805	53,127	59,571	36,330	64,278	71,361	45,173	53,649	58,620	38,853
	Personnel director	38,441	41,023	27,474	47,601	51,364	33,457	61,413	66,044	42,414	50,573	55,130	35,910
GERMANY:	Chief executive	74,980	85,231	44,437	91,683	107,570	52,406	113,238	137,228	63,336	96,825	118,830	56,876
	Finance director	46,950	49,442	28,313	56,334	59,650	33,250	66,217	74,933	40,349	59,441	64,327	35,728
	Personnel director	46,472	48,024	27,501	53,133	54,929	30,965	63,512	67,287	36,607	56,024	60,003	33,335
UNITED KINGDOM:	Chief executive	43,800	54,950	36,817	63,290	70,930	46,105	83,050	93,380	59,763	69,900	84,670	55,036
	Finance director	34,950	36,770	25,739	44,580	45,090	31,341	54,840	59,830	39,488	46,430	50,540	34,367
	Personnel director	32,030	33,160	23,875	39,470	43,150	29,774	49,830	55,540	37,212	41,880	46,120	31,362
SWITZERLAND:	Chief executive	71,595	80,279	36,024	86,871	99,632	46,356	110,139	135,278	59,185	92,030	109,504	50,190
	Finance director	57,259	59,881	30,772	66,258	71,963	35,482	76,836	88,134	42,231	68,713	75,721	37,335
	Personnel director	50,009	51,688	27,280	57,125	61,939	31,399	66,704	73,627	36,302	60,026	64,449	32,672
AUSTRIA:	Chief executive	59,059	73,054	36,827	84,853	94,799	46,596	109,310	124,898	60,231	91,987	106,834	51,606
	Finance director	43,259	44,818	23,169	52,437	55,900	28,424	65,117	74,856	37,428	55,526	60,569	30,797
	Personnel director	45,126	45,417	23,478	53,570	56,822	29,910	64,101	68,922	34,461	54,446	58,540	29,766
PORTUGAL:	Chief executive	30,447	33,183	29,035	38,632	45,477	38,731	53,040	62,659	50,475	44,052	51,184	41,943
	Finance director	23,687	25,842	23,329	30,397	32,925	28,810	35,969	40,701	34,483	31,553	34,719	29,897
	Personnel director	22,098	25,080	22,642	27,567	29,230	25,982	34,646	37,485	32,279	29,451	31,975	27,978
BELGIUM:	Chief executive	54,245	61,526	29,022	71,393	80,531	35,708	92,023	105,721	43,864	76,401	87,413	37,934
	Personnel director	38,275	39,819	21,305	47,065	49,005	24,503	60,929	67,347	31,132	50,862	56,564	27,225
	Finance director	36,839	40,498	21,395	49,104	51,012	25,506	60,249	66,119	30,564	50,929	55,837	26,865
NETHERLANDS:	Chief executive	53,342	63,242	31,621	68,797	78,994	37,917	86,579	97,300	44,758	71,636	83,224	39,948
	Finance director	37,848	39,279	21,986	45,833	49,661	26,320	55,464	60,881	30,431	47,003	51,304	26,709
	Personnel director	36,061	40,200	22,512	43,265	48,894	24,854	52,064	55,588	28,350	44,527	47,721	25,292
IRELAND:	Chief executive	42,174	47,904	25,830	53,249	64,232	33,375	63,553	77,214	39,364	54,506	64,766	33,653
	Personnel director	34,330	36,576	20,793	42,742	45,603	25,037	49,157	53,364	28,394	42,025	45,333	24,888
	Finance director	32,568	34,753	20,102	37,717	41,444	23,160	43,917	49,637	26,765	38,312	42,144	23,551

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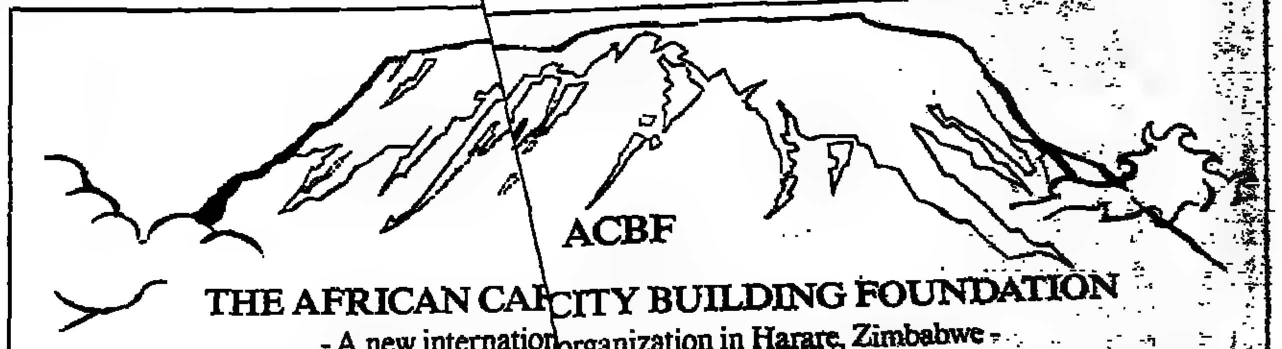

ACBF

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- A new international organization in Harare, Zimbabwe -

ACBF promotes Sub-Saharan Africa's own nucleus of professional policy analysts and managers in development. Financial support for this purpose is granted for government and non-government projects in education, research, for training and for fellowships, if part of an ACBF program. The aim is to lessen dependence on external technical assistance and place Africa in control of its own development.

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- Tasks: To manage and inspire a small Secretariat in Harare, Zimbabwe with some 10 - 12 professionals; to develop programs and projects for Board approval and to lead implementation, follow up and evalutions; to create networks with target institutions, research, governments, firms, associations and individuals; to elicit external support from members and donors.
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Written Applications (on UNDP or World Bank forms): **By June 30, 92**, to Mr L. Wohlgemuth, c/o SIDA, 105 25 Stockholm, Sweden. Tel: Int +46-8-728 52 43, Fax: Int +46-8-612 56 90 through Mrs. Söderberg.

BANKING FINANCE & GENERAL

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Must have at least two years' specific experience in the trading of US$ swaps as a spread against US treasuries. A thorough knowledge of cross-currency swap pricing is desirable as is a broad understanding of risk management products from a trading and an advisory perspective.

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Minimum of two years' experience trading exchange-traded interest rate options (CME, LIFFE, MATIF, SIMEX). This is a relatively immature business for the bank and the role will evolve depending on the individual's ability. A working knowledge of OTC FX and interest rate options would be a distinct asset.

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Interested candidates should contact Nick Bennett at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 or write, sending a detailed CV to the address below or use our confidential fax line on 071-248 2814. All applications will be treated in the strictest confidence.

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Salary is negotiable but will be competitive.

Please write enclosing a CV to our retained consultant, Jane Hayes at BBM Associates Ltd (Consultants in Recruitment) at 76 Watling Street, London EC4M 9BJ. Tel: (071) 248 3653. Alternatively use our confidential fax line on (071) 248 2814. All applications will be treated in the strictest confidence.

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Contact Lucy Ayrton.

For further information on these appointments please contact either Howard Foster or Lucy Ayrton, day 071-387 5400 (or evenings 0727-55639 or 071-585 3646), or send a copy of your C.V. to them at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

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ACCOUNTANCY COLUMN

Easing the burden of small company audits

By Stella Fearnley

THE PROSPECT of tougher auditing standards and the costs of the new compliance mechanisms are making a nonsense of existing audit requirements for small companies.

This month's proposed new standards from the Auditing Practices Board (APB) put greater burdens on auditors by recommending that they be more pro-active in ensuring that a company is a "going concern", and that they issue more definitive opinions on the financial statements in audit reports.

Meanwhile, auditors are having to adjust to a costly new regulatory regime, introduced in October 1991. All auditors must now be registered as competent to carry out company audits. They are subject to inspection to ensure they are complying with *new regulations, which lay down* standards for practice management, independence, professional conduct, *technical competence*, training and the conduct of audits.

To date, there are over 15,600 auditors names on the register, responsible for scrutinising the accounts of more than 1m companies. Many are small firms and sole practitioners whose client portfolio contains only *small companies. They have been* forced into this complex and costly regime because unlike other EC countries, UK company law does not differentiate in its audit requirements between the multinational conglomerate and the owner-managed corner shop. Consequently neither do the current auditing standards and guidelines.

The more effective the APB's future pronouncements are in tightening up *on recognised inadequacies in the* audit process, the greater the regulatory burden they will impose on the small business sector and the less appropriate the regime will become for the sector.

Many practitioners and proprietors of small companies hold the view that the law is an ass on the subject, and the closer one gets to the practicalities of auditing small companies the more asinine it becomes. There are questions over whom the audit benefits, conflicts over the auditor's role, and practical difficulties in conducting audits.

Consider the situation of a small trading company controlled and run by a husband and wife as directors. In compliance with the requirements of company law, they maintain the legal minimum accounting records: a cash book, personal ledgers for debtors and creditors, and a record of the year-end stock, along with supporting vouchers.

The directors do not normally have the knowledge or expertise to prepare their own legal accounts, calculate their tax liabilities or carry out the duties of the Company Secretary. So they hire a practising accountant who performs these tasks as their agent and often acts as a business adviser.

The relationship becomes muddied when the accountant has to shift position from acting as agent for the directors to acting as auditor of the company. The law requires him to report to the shareholders on the truth and fairness of accounts which he has just prepared for them in their capacity as directors. In other words, the auditor expresses an opinion on his own work to enable the directors *to report to themselves as shareholders!*

Equally, fundamental problems can arise because of the inevitable limitations on the audit of a small company. The main objectives of an audit could be summarised simplistically by five questions. Is the income complete? Do all payments represent value to the company? Are the assets over-stated? Are the liabilities under-stated? Do the accounts comply with the law?

To answer these questions, the auditor makes an assessment of the company and designs his work accordingly. He takes account of the track record of the company and the directors, the reliability of the accounting records, the consistency of accounting ratios, the systems of internal control, and his judgment of the key areas of activity where effort should be focused.

Having made this assessment, he plans the mix of tests he will carry out. Audit testing may include compliance tests on the control systems, review of transactions, verification of the existence and valuations of assets and liabilities by reference to documentation or by other corroborative evidence, and a detailed review of the accounts. Any problems identified must be discussed and resolved before an audit opinion can be given.

But because there is no internal control and division of duties in a husband and wife company, a vital source of comfort for the auditor is not available. It is not possible to corroborate evidence or rely on the systems within the organisation.

Purchases and existence of assets can be confirmed through third parties, but how does an auditor confirm that all income has been accounted for? If he has reason to suspect that income is being diverted from the company by the directors, he can only address his queries to them, which is not going to contribute much to the audit process.

There is also the problem of dealing with discrepancies between the cash account and bank statements. Unidentified payments could be legitimate business expenses, but equally could be directors' personal expenses passed through the books of the business.

Compliance with the Companies Act – particularly the requirement for maintenance of proper accounting records – also causes difficulty. The accountant often has to compensate for deficiencies in record-keeping by meticulously constructing accounts from a jumble of paper. Accountants describe these records as "paper bag jobs", or old-fashioned "spike audits".

Having carried out this task and charged a fee for it, when he puts on his auditors' hat the accountant is understandably reluctant to qualify his client's accounts for a breach of the Act. But expressing a true and fair view opinion in such a case may be stretching a point.

There used to be a form of audit report which referred to accepting assurances from management in the absence of other corroborative evidence. This was much used by small practitioners in small company accounts, but was eventually viewed by the former Auditing Practices Committee as an excuse for not doing an audit and was withdrawn. Although it was not the best of vehicles, it was a form of tacit recognition that there are many situations in small companies where an auditor is forced to rely heavily on information given by the directors without other corroboration.

Objections have been raised to abolishing small company audits in the past by third-party users – the banks and the Inland Revenue in particular – and by other creditors, to whom the auditors owe no duty of care, but who nevertheless make use of information in audited accounts.

A less onerous and more realistic reporting regime for small companies is needed, and there are precedents both in the US and in the Antipodes. Accounts of small companies are reviewed by qualified accountants, which provides reasonable assurances to third parties without the need for a full audit. As most of the accounts preparation work for small companies is already done by practising accountants, this makes the process very much simpler and more cost effective.

A similar system in the UK would mean that small companies would have some obligations in exchange for the benefits of limited liability, without incurring the costs of auditing and audit compliance. That would leave the Auditing Practices Board and the Regulators to get on with the job of dealing with the major problems.

Stella Fearnley BA FCA is Grant Thornton Lecturer in Accounting at the University of Southampton, and immediate past president of the Southern Society of Chartered Accountants, and a member of the Council of the Institute of Chartered Accountants in England and Wales. The views expressed are her own.

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The successful candidate will probably be a recently qualified accountant with some exposure to equity markets and derivative products and will have excellent quantitative skills; a good mathematics or maths based degree is essential. Strong communications skills and business acumen are also demanded by this high profile role.

Please contact our retained consultant Simon Clarke at Harrison Willis on 071-629 4463 (Fax no: 071-411 4705) or write enclosing a full curriculum vitae to the address noted below.

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The Finance Director will be responsible for the entire finance function including financial/management accounting and systems. The development of effective accounting systems and controls will be key to success in the role which will embrace the introduction of fully integrated standard costing as a priority. The ability to achieve cost control and effective margin management will be essential prerequisites in making this appointment.

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Candidates will be qualified accountants aged 30-40 and will probably have progressed their careers to date through manufacturing. The successful candidate is likely to be a Financial Controller/Chief Accountant looking for the next step in his/her career. Sound management experience is a requirement in the role and the ability to think clearly, commercially and make sensible decisons is essential.

Please write enclosing your full curriculum vitae quoting ref 611 to: Philip Cartwright FCMA, Riverbank House, Putney Bridge Approach, London SW6 3JD. Tel: 071 371 9191. Fax: 071 371 9478

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Fully qualified with a minimum of five years' experience, these roles will involve the very latest audit techniques, extensive interdepartmental liaison and wide-ranging use of computer tools. For the Chief Auditor, man-management experience is also required, but fluency in Arabic is desirable, not essential. Ref: 3472/2.

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In the first instance, please write quoting ref: C394 with comprehensive cv to: David Morris Regional Director, Bernard Hodes Selection, Monaco House, Bristol Street, Birmingham B5 7AS. Tel: 021-666 6700.

All replies will be acknowledged. Please list separately any companies to whom your cv should not be forwarded.

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A graduate qualified accountant, probably in the range 35-45, you must be able to demonstrate a record of achievement in managing a large accounting operation in an effective and economic manner. You should have gained experience in an environment of sophisticated information systems and accounting processes. The ability to motivate staff and communicate at all levels is essential, as is the ability to lead and direct systems development.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell or Angela McDermottroe, Coopers & Lybrand Deloitte Executive Resourcing Limited, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference number AE856 on both envelope and letter.

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Financial Controller

Suffolk/Essex Borders

c £35,000 + Car

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Prospective candidates must be qualified accountants, preferably graduate calibre (aged 30-40), with a successful track record gained in a manufacturing/production environment. Applicants should be able to offer both a 'hands-on' approach to the business and the intellectual ability to contribute to strategic decisions. Above all, the individual must be able to demonstrate energy and commitment together with the ability to identify and manage change. Fluency in French would be useful but is not essential.

For further information please write enclosing a full curriculum vitae (including salary details and day time telephone number) and quoting reference LN1703 to Gary Watson, Michael Page Finance, Centurion House, 136-142 London Road, St Albans AL1 1SA.

MP

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COMMODITIES AND AGRICULTURE

Coffee delegates under pressure

By David Blackwell

THE PRESSURE on coffee producers to come up with firm proposals for measures to support world prices mounted yesterday as the markets retreated in both London and New York.

The producers, who today end a three-day meeting at the London headquarters of the International Coffee Organisation, have been widely expected to reach agreement on a course of action that could be put before consumers at a full meeting of the ICO at the end of next month. Yesterday analysts felt that a consensus would be reached, but that it would be couched in vague terms.

Mr Lawrence Eagles, analyst with GNI, the London futures brokers, said that the producers would have to come up with concrete proposals to stop the markets turning bearish again. Mr Peter Kettle, of E.D. & F. Man, said the producers needed to have specific figures to put before the consumers.

London's July robusta contract closed at $725 a tonne, down $10, while New York's nearby arabica contract was off more than 1 cent at 62.90 cents a lb by midday on trade selling. However, trading was thin as most of the cash markets in Europe were closed for the Ascension Day holiday.

Brazil and Colombia, the two biggest producers, last week moved a lot closer in attitude towards the coffee agreement. However, the National Coffee Association of the US, the biggest consumer, last week reiterated its strong support for a continued free market.

Tight copper supply forecast

By Kenneth Gooding, Mining Correspondent

COPPER PRODUCERS would have to struggle very hard to keep pace with future demand because of shortages of smelting capacity, said Mr Alex Balogh, chief executive of Noranda Minerals, the Canadian group, yesterday.

It was impossible to justify investment in new copper smelters because the expected rate of return on capital was inadequate, he said. So new smelters would almost certainly take much longer to be built than some observers expected.

But analysts had probably also underestimated the industry's ability to squeeze more production out of existing smelting capacity.

For example, Noranda might spend more than US$50m to double output from 53,000 tonnes at its Gaspé copper smelter in Quebec.

Noranda's Horne smelter, also in Quebec, might expand capacity over time. Horne once was able to treat 1.3m tonnes of copper concentrate (an intermediate material) a year but this had been reduced to 700,000 tonnes (producing about 186,000 tonnes of copper) because of environmental pressures. Horne's output might be increased again to 850,000 to 900,000 tonnes.

Mr Balogh said: "I have been in this business for more than 15 years and in all that time smelters ran with charges giving an unacceptable rate of return on the capital required just to keep them running – just to stop the roof from leaking".

New copper smelters had been built but for political or strategic reasons and this would be the case in future, he added during a presentation in London.

Expansion at Gaspé depended on Noranda buying a high-quality copper project or operating mine outside Canada because the mine near the smelter would last had only another seven years.

Noranda had looked at 20 copper projects and mines and was still in discussion about six of them.

Through Falconbridge, in which Noranda has a 50 per cent stake, the group has an interest in Collahuasi, which promises to be one of the Chile's biggest copper projects. Mr Balogh said it would take at least another year to complete drilling there to work out a mine plan because the ore body was so big and rich.

He said the copper industry would probably scrape by in future but supply would be tight so prices could be expected to remain buoyant. Noranda expected copper to range in price between $1 and $1.10 a lb this year, between $1.25 and $1.40 next year and between $1.30 and $1.50 in 1994.

Base Metals price range estimates (US cents a lb)

	Zinc	Copper	Nickel	Aluminium
1992	55-60	100-110	325-375	60-65
1993	60-70	125-140	450-550	75-90
1994	65-80	130-150	550-650	100-120

Trader calls for rise in US wheat area

By Nancy Dunne in Washington

JUST AS the EC is preparing to boost land set-asides in a reformed Common Agriculture Policy, Cargill, the giant US grain exporter, is urging the US government to end acreage reduction for wheat and to even to put some of the land in the US conservation reserve back into production.

"The US wheat industry is showing all the signs of an industry in trouble," Cargill said, in its company bulletin. "It is evident in the dwindling share of world wheat markets – down to levels rarely seen since the United States became a commercial exporter of wheat 30 years ago."

According to Cargill, the Conservation Reserve Program has taken 11m acres of formerly productive wheat acreage out of production. With these constraints full US production is 400m bushels – less than full production at the start of the 1980s – at a time when world grain usage has grown by about 3bn bushels in the last 10 years.

"The US simply cannot hold its own by producing less when the world is consuming more," said Cargill.

The US Department of Agriculture says non-US wheat and wheat flour production grew steadily from 1988-89 until last year – from 59.7m tonnes to 71.2m tonnes. The most recent estimates indicate a reduction of wheat production for 1992-93 from non-US sources to 69.6m tonnes.

Meanwhile, US wheat production has varied over the past four years from 37.6m tonnes to 33.5m tonnes to 26.3m tonnes to 35.7m tonnes. The most recent US grain report predicted a 32.5m output for the US this year.

Most of American wheat exports over the past six years have been subsidised, according to Cargill. This has led to "scrambled market signals" and confused producers. "US wheat prices are lower than they would be in an open market, given that carryover stocks are at their lowest point in decades," said the Cargill bulletin.

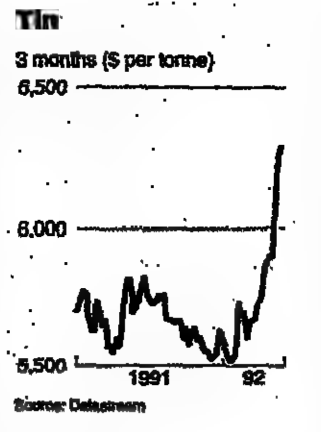
Malaysian tin mine brought back to life

Paul Newman on the third incarnation of the Sungei Lembing operation in Pahang

MALAYSIA'S SUNGEI Lembing tin deposit has demonstrated once again that you cannot keep a good mine down.

Once the world's biggest single source of tin, it was flooded and abandoned during the Japanese occupation in the Second World War. It was reopened at the end of the war but flooded again in 1987, after the operating company was forced into liquidation as a result of the slump in tin prices. Undaunted by its chequered history, however, a Chinese-Malaysian partnership has now reopened the mine, partially pumping out the workings to resume hard rock mining, and has longer term plans to bring the entire complex back into operation.

Tin
3 months ($ per tonne)



Source: Datastream

The recent recovery in tin prices, with LME quotations reaching an 18-month high and Kuala Lumpur Tin Market prices at the highest levels since August 1991, has come too late to save many of the higher-cost producers. The closure on 1 May of Gopeng, Malaysia's largest hydraulic tin mining operation, is the latest casualty in a lengthy list of mine closures brought about by the collapse of the International Tin Council's buffer stock operation in October 1985 and the subsequent slump in prices as more than 100,000 tonnes of stockpiled tin were released on to the market.

High-cost, hard rock mining – including the whole of the Cornish industry, the Kelapa Kampit mine in Indonesia and, briefly, Australia's Renison, the world's largest underground tin mine – fell victim to the slump. Low-cost Brazilian operations added to the pressure on tin prices, forcing out of business much of the traditional source of supply in South-east Asia – dredges and gravel pump mines. Last year Malaysia mined less tin than in any year since the Second World War, producing 20,710 tonnes, 27 per cent down on 1990's 28,468 tonnes and less than a third of average annual output in the 1970s.

The most spectacular victim of the tin price slump was the Sungei Lembing mine, Malaysia's only hard rock mining operation, which was run by the Pahang Consolidated Company. Before the advent of the first dredges at the turn of the century the mine had employed more than 5,000 lode miners and produced in excess of 4,000 tonnes a year from more than 300 km (500 miles) of workings. It was the most extensively developed underground tin mine in the world.

The mine was still producing more than of 2,000 tonnes a year up to 1977. But output then began to decline steadily with only 744 tonnes produced in 1986, the last full year of operations. In 1987, PCC was forced into liquidation, the pumps were switched off and the workings flooded. All the mining equipment and infrastructure – including headframes, dressing sheds and the rail network – was dismantled for scrap and among those who came to purchase PCC's salvage were two mining executives from a recently worked-out Perak tin mine.

The two men, Chinese geologist Sia Hok Kiang and Malaysian businessman Dato' Haji Nasir, current president of the Pahang Malay Chamber of Commerce, found out that while the fire sale of PCC's equipment was proceeding some of the mine's former face workers were covertly recovering valuable ore from the abandoned mine. Disguising himself as a miner, Mr Sia joined the illegal operators to explore the abandoned workings and concluded that, given sufficient venture capital, it could be brought back to life.

In July 1989, the Chinese-Malaysian business partnership decided to take an option on the mine. Mr Sia flew to the UK to discuss the viability of reopening Sungei Lembing with PCC's former general manager, Mr Henry Hodding and, given sufficient encouragement from Mr Hodding's extensive knowledge and first-hand experience of the mine, he approached the World Bank in Washington for aid. Although the Bank offered to put up 50 per cent of the costs of a feasibility study, the scale of the $4.1m project to reopen the mine was too small to meet the Bank's minimum project criteria.

Mr Sia then approached the Commonwealth Development Corporation, which agreed to put up $1.5m in return for a one-third stake in the venture and, with local financing subsequently secured to raise the minimum initial $4.1m operating finance, the decision was taken to reopen the mine on a 15-year lease to 2005.

By mid-1990, when tin prices were about M$16 a kilogram, half the level obtaining prior to the 1985 crisis, and with an accelerating closure of much of the world's tin mining capacity, Sungei Lembing became the first lode tin mine to reopen and start operations since the market collapse.

Widespread industry scepticism greeted the move, the venture being dismissed as undercapitalised and doomed to failure.

Some two years later the new operating company, Sungei Lembing Tin, is now gearing up to increase output from an initial 1.5-2.0 tonnes a month 7 tonnes a month, and has established proved and probable reserves of 757,000 tonnes, grading 1.34 per cent tin, or 7,200 tonnes recoverable metal.

Only Cakak of Sungei Lembing's three major mining sections is currently being worked but the company's goal remains to make the entire mine fully operational by pumping out and reopening the other two sections, Willinks and Myathe headframe is back in place at the Cakak section and the mine has been dewatered for development down to first level, 120 feet below surface. Dewatering continues and, by the end of 1993 the company hopes to be operating down to the 15th level.

The rehabilitation of Sungei Lembing flies in the face of conventional wisdom that tin is a sunset industry, a view most recently voiced by no less a person than Malaysia's Minister of Primary Industries, Datuk Seri Lim Keng Yaik, who advised tin miners to get out of the business and export their technology and diversify into alternative employment.

With world tin stocks expected to be down to 25,000 tonnes by the end of this year, the lowest level since 1984 and tin prices rising in response to near equilibrium in the supply/demand balance, the entrepreneurial courage of a Chinese geologist and Malaysian businessman is now being rewarded.

Some 100 miners currently employed at the lode mine have breathed new life in the small township of Sungei Lembing, some 50 km north of the Pahang state capital, Kuantan. The town was wholly dependent for its livelihood on the fortunes of the tin mine and was left for dead when PCC went into liquidation in 1987. Business has now returned to the small shops and street traders and Mr Sia Hok Kiang and Mr Dato' Haji Nasir are being hailed as the saviours of the local community.

Price hopes brighten outlook for Brazilian producer

Bill Hinchberger reports on Paranapanema, the world's biggest tin exporter

PREDICTIONS OF further rises in tin prices are brightening the outlook for Paranapanema, the world's largest tin exporter and Brazil's largest private mining company.

Last year, the company posted losses of $30.6m. The poor showing was mostly due to its decision to write off, during 1990 and 1991, nearly $70m in unpaid accounts payable by the government to its construction division, said Mr Samuel A. Hanan, director-vice president. Of course, prices in the region of $5,500 a tonne for tin, responsible for about 80 per cent of receipts last year, did not help.

Mr Hanan cited several factors to support his expectations of higher tin prices: lower wild-cat output at Brazil's Bom Futuro mine, the stabilisation of Chinese production at the 15,000 tonnes a year, and the return of Russia to the consumer market, with estimated needs of about 8,000 tonnes a year.

He noted that the Russians had approached major international producers for price quotes, signaling their intention to begin importing again after a two year hiatus.

Global production is slowed because many mining companies practised selective extraction during the period of lean prices over the past seven years, going after high grade deposits, partly to hold down costs. "Those high grade deposits are depleted," said Mr Hanan, "and it is not easy to increase production when you are working with lower grades."

Mr Hanan expects a supply shortfall of 12,000 to 16,000 tonnes this year, even after adjusting for the release of 12,000 tonnes from strategic reserves by the US.

Brazilian production should drop from 29,000 tonnes to 25,000 tonnes, with Paranapanema accounting for about 17,000 tonnes. Brazil gave up little when it pledged to the Association of Tin Producing Countries, of which it is not a member, to hold output to 25,000 tonnes in 1992, because it was unlikely to be able to produce more than that anyway, said Mr Hanan.

Lower yields from wildcat mining at Bom Futuro are primarily responsible for the lower Brazilian figures. Mr Hanan believes that output there should reach 8,000 tonnes this year, down from 10,000 tonnes in 1991. The mine produced 33,000 tonnes as recently as 1989.

Paranapanema is involved in a court battle over rights to Bom Futuro. Ebesa, a seven-company joint venture headed by Paranapanema, holds the necessary government permits to operate there, but wild-cat miners have obtained an injunction to delay start-up. A three-member Supreme Court panel delayed an expected ruling this month when one of the justices asked for more time to study the case. The other two justices were prepared to rule in favour of Ebesa.

A final decision is expected in the coming weeks. If favourable to Ebesa, the company would be primed to begin operations within two or three months. While Ebesa's extraction operations are prohibited by the injunction, the company is carrying out research to re-evaluate the potential of the open-cast site in the Amazon state of Rondonia. Mr Hanan predicts that output would remain about the same as the 8,000-10,000 tonnes now extracted by the wild-cat miners. They extracted 81,500 tonnes between 1987, when operations began, and last year. Ebesa expects to invest between $20m and $25m in Bom Futuro if it gets the nod from the courts.

Paranapanema plans about $20m of new investment in Brazil this year, split between its construction and mining divisions, now united under a unified management structure, the most evident change after Mr Octavio Cavalcanti Lacombe bought out his former partner Mr José Carlos de Araujo last month.

WORLD COMMODITIES PRICES

MARKET REPORT

Base metals prices fluctuated irregularly during a quiet day on the LME. The Ascension Day holiday in Europe made for quiet morning trade and the volume hardly improved when the US opened. Traders said uncertainty over the next move of the dollar kept consumers on the sidelines. **TIN** rallied in the afternoon on shortcovering prompted by the failure of the market to follow through to losses made earlier in line with a lower Kuala Lumpur market. **ZINC** remained a two-tier market with covering against tight nearby delivery dates pushing the premium for cash metal to $142 a tonne from Wednesday's $131. But there was little enthusiasm to buy forward metal. **COPPER** continued to find solid support on any dip to $2,230 a tonne. **ALUMINIUM** remained under pressure from liquidation and appeared to be headed for a test of the bottom end of the $1,320-$1,330 support band for three-month metal. **GOLD** and **SILVER** prices slipped lower in thin European trade in line with the New York market. The gold price ended $1.65 lower at $337.10 a troy ounce while silver lost 3 cents at 408 cents an ounce. But **PLATINUM** moved higher to test resistance just below $370 an ounce.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.90-8.35	-.200
Brent Blend (dated)	$20.65-0.75	-.225
Brent Blend (Jul)	$20.60-0.70	-.225
W.T.I (1 pm est)	$21.55-1.60y	-.300
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$232-233	+1.5
Gas Oil	$184-185	
Heavy Fuel Oil	$83-85	
Naphtha	$190-192	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$337.10	-1.65
Silver (per troy oz)♣	408c	-3.0
Platinum (per troy oz)	$368.15	+1.15
Palladium (per troy oz)	$85.25	+2.5
Copper (US Producer)	105.29c	-0.03
Lead (US Producer)	37.00c	
Tin (Kuala Lumpur market)	15.43r	-0.09
Tin (New York)	281.5c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.89p	+1.97*
Sheep (live weight)†♣	95.24p	+15.2*
Pigs (live weight)†	81.38p	+4.21*
London daily sugar (raw)	$248.8t	+7.3
London daily sugar (white)	$263.00t	+4.25
Tate and Lyle export price	£247.0	+4.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£147.5	
Wheat (US Dark Northern)	£120w	
Rubber (Jul)♥	53.25p	+0.25
Rubber (Aug)♥	53.25p	+0.25
Rubber (KL RSS No 1 Jun)	219.0	+1.0
Coconut oil (Philippines)§	Unq	
Palm Oil (Malaysian)§	$380.0y	+2.5
Copra (Philippines)§	$405	
Soyabeans (US)	£143.0u	
Cotton "A" index	61.35c	+0.8
Wooltops (64s Super)	424p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Apr z-May. q-May. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	533	528	527 523
Jul	546	543	548 541
Sep	566	566	571 562
Dec	600	599	603 596
Mar	633	633	635 626
May	663	661	664 649
Jul	673	671	673 666
Sep	693	681	686

Turnover: 2066 (4105) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for May 27 690.32 (682.85) 10 day average for May 28 712.57 (718.00)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
May	710	714	722 710
Jul	726	735	738 720
Sep	745	755	757 741
Nov	765	774	775 764
Jan	781	795	793 781
Mar	800	812	814 800

Turnover: 2621 (1418) lots of 5 tonnes. ICO indicator prices (US cents per pound) for May 27: Comp. daily 50.30 (50.76) 15 day average 48.45 (48.27).

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	218.80	219.80	219.20 218.00
Oct	205.20	206.80	206.00
Dec	196.00	199.00	195.00
Mar	198.60		199.80 199.00
White	**Close**	**Previous**	**High/Low**
Aug	262.80	261.80	263.00 262.00
Oct	257.50	256.80	259.00 257.00
Dec	267.50	266.80	269.00

Turnover: Raw 117 (135) lots of 50 tonnes. White 376 (1822). Paris- White (FFr per tonne): Aug 1581.47 Oct 1504.98

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	98.0	98.0	100.0 97.0

Turnover 143 (103) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	125.00		125.00
Oct	129.50		129.50

Turnover 100 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
May	1278		1280 1278
Jun	1178	1201	1195 1171
Jul	1095	1105	1095 1090
Oct	1200	1215	1205 1200
Jan	1230	1245	1230 1225
BFI	1272	1271	

Turnover 117 (137)

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jul	20.56	20.70	20.81 20.57
Aug	20.59	20.66	20.70 20.50
Sep	20.48	20.57	20.63 20.48
Oct	20.42	20.45	20.45
Nov	20.32	20.30	20.33 20.30
Dec	20.32		20.08
IPE Index	20.69	20.25	20.69

Turnover 12321 (23006)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jun	184.00	183.75	184.75 183.00
Jul	185.00	184.00	185.75 183.75
Aug	187.00	187.00	187.25 186.00
Sep	189.25	188.50	189.25 188.00
Oct	191.50	190.00	191.50 190.00
Nov	192.25	192.00	193.25 191.50
Dec	194.00	193.50	193.75 193.50
Jan	192.75	191.50	193.00 192.25

Turnover 8146 (14316) lots of 100 tonnes

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	121.40	122.50	121.70 121.35
Jul	113.35	113.80	113.35 113.20
Nov	117.05	117.15	117.05 116.90
Jan	120.05	120.35	120.05 120.00
Barley	**Close**	**Previous**	**High/Low**
Sep	107.15	107.30	107.15 107.05
Nov	110.95	111.05	111.00 110.85
Jan	114.05		114.05 114.00

Turnover: Wheat 179 (137). Barley 55 (31). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	116.0	113.0	115.5 112.5
Jul	108.5		105.5 105.5
Aug	101.0	100.0	100.5 100.0
Sep	107.0	105.5	106.5 105.5
Oct	106.0		105.5 105.5
Nov	107.0	106.0	106.5 106.0

Turnover 31 (14) lots of 3,250 kg

FRUIT & VEGETABLES

Imported cherries are superb this week at £1.20-2.00 a lb (£1.20-2.80) reports the FFVIB. Other good buys include Cape Granny Smith apples at 65-80p a lb (40-55p). Spanish apricots at 70-90p a lb (£2.00-2.20) and South American Mangoes at 85p-£1.00 each (85p-£1.00). English new potatoes at 15-30p a lb (20-30p) are this week's best vegetable choice. Flat mushrooms at 60-70p a lb (60-70p) and cup mushrooms at 50-70p a lb (50-70p) along with French courgettes at 50-70p a lb (55-75p) round up the best vegetable buys. British tomatoes at 65-78p a lb (65-80p) along with the beef variety at 70-85p a lb (80-90p) are excellent this week.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 18,034 lots	
Cash	1300-1	1310-1	1304.5/1304	1304-4.5		
3 months	1325.5-6	1336-7	1338/1325	1329-9.5	1328.5-7	161,674 lots
Copper, Grade A (£ per tonne)					Total daily turnover 14,001 lots	
Cash	1233-4	1232.5-3.5	1238/1236.5	1236-6.5		
3 months	1255.5-6	1254.5-5	1259/1254	1258-8.5	1255-5.5	102,450 lots
Lead (£ per tonne)					Total daily turnover 1,412 lots	
Cash	287-8	281.5-2.5		284.5-6		
3 months	299-300	294-4.5	299/297	298.5-7	299-300	16,049 lots
Nickel ($ per tonne)					Total daily turnover 3,169 lots	
Cash	7330-5	7355-60		7330-5		
3 months	7415-8	7442-5	7440/7415	7420-1	7420-5	22,988 lots
Tin ($ per tonne)					Total daily turnover 849 lots	
Cash	6245-50	6230-40		6224-5		
3 months	6270-5	6255-60	6305/6225	6250-5	6265-70	8,186 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 14,613 lots	
Cash	1418-23	1415-20	1430	1429-30		
3 months	1276-8	1278-9	1285/1275	1284-5	1277-8	62,620 lots

LME Closing £/$ rate: SPOT: 1.8055 3 months: 1.7907 6 months: 1.7694 9 months: 1.7596

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.90-337.30	
Opening	337.30-337.60	
Morning fix	337.20	187.408
Afternoon fix	336.90	186.959
Day's high	337.50-337.80	
Day's low	336.20-336.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.24	6 months	3.30
2 months	3.24	12 months	3.40
3 months	3.25		

Silver fix	p/fine oz	US cts equiv
Spot	226.25	407.50
3 months	231.95	411.50
6 months	237.35	415.60
12 months	248.30	425.70

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	337.00-339.00	187.00-187.50
Maple leaf	348.00-349.00	193.00-193.50
New Sovereign	82.50-83.50	45.75-46.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	114	134	3	5
1300	29	60	18	29
1400	3	18	87	87
Copper (Grade A)	**Calls**		**Puts**	
2100	134	136	3	5
2200	52	73	21	29
2300	4	17	68	81
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
700	58	80	11	15
750	12	31	37	36
800	3	15	76	70
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
550	10	15		
575	3	22	33	30
600	1	14	56	46
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
2000	68	85	9	27
2050	[illegible]			
2100	13	51		

New York

GOLD 100 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	337.0	338.2	337.6	336.3
Jul	338.0	339.0	0	0
Aug	338.6	340.0	338.5	338.2
Oct	340.5	341.8	341.9	340.0
Dec	342.2	343.3	343.3	342.0
Feb	343.9	345.0	0	0
Apr	345.6	346.8	0	0
Jun	347.5	348.5	0	0
Aug	349.2	350.2	0	0
Oct	350.0	351.0	350.0	348.5
Dec	352.7	353.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	368.5	366.5	371.3	367.2
Oct	371.7	372.4	374.4	371.5
Jan	371.2	372.1	372.5	371.0
Apr	371.7	372.6	372.1	372.1

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	405.4	408.4	0	0
Jun	406.5	409.4	409.0	406.0
Jul	408.0	410.9	411.5	406.0
Sep	410.6	413.6	413.5	409.0
Dec	414.1	417.2	416.0	413.5
Jan	415.7	418.8	0	0
Mar	418.2	421.4	421.0	420.0
May	421.0	424.0	0	0
Jul	423.9	426.2	0	0
Sep	426.5	430.0	0	0
Dec	430.5	434.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	100.75	100.60	100.95	100.60
Jun	100.85	100.90	100.95	100.90
Jul	101.05	101.00	101.05	100.50
Aug	101.05	101.00	101.10	100.90
Sep	101.15	101.05	0	0
Oct	101.15	101.05	0	0
Nov	101.10	101.10	0	0
Dec	101.15	101.10	101.20	100.95
Jan	101.05	101.05	0	0
Mar	100.95	100.90	100.75	100.75
May	100.75	100.65	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	58.12	59.45	58.95	58.00
Oct	58.48	60.00	60.00	58.00
Dec	58.80	60.00	60.48	59.76
Mar	61.10	61.50	61.75	61.00
May	61.60	61.90	62.00	61.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	21.92	21.92	21.94	21.75
Aug	21.94	21.94	21.95	21.81
Sep	21.92	21.93	21.93	21.82
Oct	21.87	21.87	21.87	21.77
Nov	21.77	21.76	21.78	21.71
Dec	21.66	21.70	21.72	21.60
Jan	21.58	21.60	21.56	21.51
Feb	21.46	21.50	21.50	21.43
Mar	21.38	21.40	21.38	21.33
Apr	21.25	21.31	21.29	21.24

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	6000	5931	6025	5910
Jul	6005	5938	6010	5930
Aug	6080	6010	6080	5990
Sep	6160	6125	6165	6075
Oct	6250	6220	6260	6200
Nov	6345	6310	6345	6320
Dec	6425	6385	6430	6390
Jan	6445	6430	6440	6420
Feb	6330	6310	6330	6330
Mar	6100	6080	6100	6100

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	851	856	866	850
Sep	885	885	897	884
Dec	919	916	932	918
Mar	962	954	0	0
May	1000	1004	1012	1000
Jul	1031	1035	1038	1033
Sep	1061	1065	1070	1070
Dec	1094	1093	1096	1096
Mar	1125	1129	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	62.95	64.10	64.20	62.30
Sep	64.65	66.10	66.00	64.40
Dec	67.15	68.65	68.10	67.05
Mar	69.65	71.55	71.50	69.50
May	71.65	73.25	74.30	74.30
Jul	74.35	75.85	76.00	74.30
Sep	75.75	77.75	76.50	76.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.94	9.92	9.96	9.83
Oct	9.19	9.27	9.30	9.19
Mar	9.07	9.16	9.16	9.08
May	9.02	9.11	9.11	9.02
Jul	8.95	9.07	0	0
Oct	8.81	9.01	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	133.35	133.35	134.50	131.70
Sep	133.35	133.75	135.00	133.10
Nov	118.25	118.75	118.25	118.00
Jan	117.15	117.15	117.25	117.75
Mar	115.75	115.75	115.75	115.75
May	115.60	115.05	0	0
Jul	115.60	115.05	0	0
Sep	115.60	115.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 28	May 27	mnth ago	yr ago
1601.7	1596.1	1604.5	1711.1

DOW JONES (Base: Dec. 31 1974 = 100)

	May 27	May 26	mnth ago	yr ago
Spot	116.98	116.37	[illegible]	[illegible]
Futures	117.53	118.63	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	603/4	605/0	609/0	601/6
Aug	606/6	605/2	612/0	605/0
Sep	611/2	613/0	616/4	609/0
Nov	617/6	620/0	623/0	615/0
Jan	624/4	627/6	630/4	623/0
Mar	634/4	635/4	638/4	631/4
May	637/0	640/4	642/0	635/0
Jul	640/4	644/4	645/4	639/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.86	20.86	21.00	20.76
Aug	21.00	21.01	21.10	20.90
Sep	21.22	21.23	21.27	21.12
Oct	21.44	21.35	21.45	21.36
Dec	21.63	21.65	21.77	21.57
Jan	21.73	21.77	21.85	21.67
Mar	21.77	22.02	21.97	21.85
May	22.20	22.27	22.20	22.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	181.8	182.4	183.3	181.2
Aug	182.9	183.5	184.1	182.5
Sep	183.8	184.2	185.0	183.1
Oct	185.2	186.0	186.0	185.0
Dec	200.5	201.7	202.4	200.3
Jan	200.9	201.8	202.5	200.5
Mar	201.1	202.3	0	0
May	201.7	203.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	257/6	259/0	260/2	256/4
Sep	262/4	263/0	265/0	262/0
Dec	265/0	264/2	266/2	262/0
Mar	272/6	271/4	273/6	270/4
May	277/6	276/4	278/0	276/0
Jul	279/6	279/4	281/0	278/2
Sep	266/4	270/4	271/0	266/4
Dec	266/0	267/0	267/0	265/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	357/6	351/4	359/4	348/0
Sep	361/4	355/0	363/0	352/0
Dec	367/0	361/0	369/0	358/4
Mar	364/4	359/4	365/0	356/0
May	348/2	343/4	349/0	343/0
Jul	325/0	323/0	328/0	324/0
Sep	340/4	345/0	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	71.925	72.150	72.275	71.850
Aug	68.625	69.075	69.150	68.575
Oct	68.825	69.050	69.050	68.800
Dec	68.775	68.750	68.950	68.625
Feb	68.675	68.575	68.950	68.350
Apr	69.600	69.675	69.800	69.550
Jun	67.100	67.400	67.425	67.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.175	47.700	47.700	46.950
Jul	46.050	46.550	46.950	45.950
Aug	42.275	42.600	42.775	42.175
Oct	38.850	39.000	39.100	38.800
Dec	40.375	40.500	40.600	40.250
Feb	42.300	42.300	42.450	42.300
Apr	41.050	41.100	41.150	40.950
Jun	47.150	47.500	47.250	47.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	34.675	34.400	34.900	34.275
Aug	33.950	33.950	33.950	33.500
Feb	44.775	44.775	44.775	44.400
Mar	45.000	45.700	45.000	44.800
May	45.80	45.600	0	0

هكذا مع الأصل

LONDON STOCK EXCHANGE

Property worries hit equity market

By Ste hompson

NEWS Canary Wharf, the dockl property development, ing put into administrat provided the trigger for ar round of profit-taking general selling pressure ndon.

Wos that the latest movld lead to the big UK bankking substantial provisionainst their loans to Olym & York, developers of CanWharf, hit share prices of tanks and caused tremors ughout the rest of the ma The selling took its toll market that has seemingn out of steam as the lor three-week trading act looms up. London was alst by the absence of any suntial interest from the Continent, where a number of markets were closed for the Ascension Day holiday.

The FT-SE 100 share index ran back 4.4 more to 2,694.2, extending the fall on the week to almost 21 points.

The day began with the Footsie future leading the cash market sharply lower on the Canary Wharf news, with the June contract dropping again to a discount to fair value. Both the future and the cash market quickly rallied, however, with the Footsie, down almost seven points early in the session, recovering strongly to post a gain of over *eight points by mid-morning*.

Over lunch, the markets began to wilt afresh, worried by the prospect of yet more bad news from the property arena. The Footsie retreated to show a fall of 9.2 before embarking on its modest late rally, helped by the relatively good showing by Wall Street which was up eight points as London closed.

There was more good news *on turnover with customer* business on Wednesday, admittedly boosted by a big programme trade, expanding to £1.315bn. Turnover yesterday reached 520.7m shares.

Tesco, the supermarket group, produced the best performance among the Footsie constituents, still responding to switching operations being carried out by leading brokers, involving the sale of cyclical stocks and the purchase of more defensive issues.

BATs, the tobacco to insurance group, rose strongly after encouraging remarks by the chairman at the annual meeting. Sears, the retailing group, also made good progress. On the downside, Taylor Woodrow fell almost 8 per cent, with some large lines of stock said *to have been on offer*. British Steel fell heavily after Smith New Court adopted a bearish stance on the shares.

Suggestions that next Wednesday's preliminary figures from Siebe may include a rights issue were rejected by dealers but not before the shares had fallen sharply. British Gas, among the market's best performers over the past week amid stories that a break up of the company may be in the offing, turned easier after Moody's, the US rating agency, said it was considering downgrading Gas's debt ratings.

Vodafone, the cellular radio group, was persistently sold after news that the merger of US groups Sprint and Centel implied lower cellular valuations. Cable & Wireless was hit *by disappointing results from* its near 60 per cent owned associate Hong Kong Telecom while oil shares ran out of steam.

Account Dealing Dates

*First Dealings:	May 11	Jun 1	Jun 15
Option Declarations:	May 28	Jun 11	Jun 25
Last Dealings:	May 29	Jun 12	Jun 26
Account Day:	Jun 8	Jun 22	Jul 6

*New-time dealings may take place from 8.30 am two business days earlier.

arclays ffers & Y hit

RM CLOUDS continued to her over Barclays, the high eet clearer most heavily osed to the enormous debts ing the property industry.

The anticipated effect on the nk's annual profits prompted curities house UBS Phillips Drew to cut its 1992 profits recast by a third yesterday. arclays shares, which had lready fallen by 25p over the ast week, ended 5 lower at 69p after 3.9m traded. UBS pared its pre-tax figure to 400m from £600m and subsequently moved from around the top of the range of analysts' estimates to the bottom, below even bearish County NatWest, which is on £475m. However, it maintained its hold recommendation and forecast a flat 21.2p dividend.

Steel retreat

Worries that British Steel might pass its final dividend depressed the shares in heavy turnover of 14m. Citing the poor demand for steel, continued price weakness, and the consequent effect on revenue, Mr Ian Lowe at Smith New Court said: "The market has a 50-50 chance of getting no final dividend in our view."

With the company due to report full-year results next month, there was also talk in the market that a serious discussion about the presentation of the figures was taking place at British Steel. Smith is predicting a loss of around £100m for the year to March 1993. Nomura is on a similar amount, but expects a final dividend of about 1.5p. The shares ended 5 down at 77½p.

Vodafone sold

Sellers were active in Vodafone, which recorded the second biggest turnover of the day among the *FT-SE* constituents, as some investors reflected on the implications for cellular valuations following the merger of two big US telecoms groups on Wednesday.

The $2.85bn deal between Centel and Sprint values the former's cellular per population at $40 – compared with a rating of around $105 for Vodafone. This had caused some US investors to re-evaluate Vodafone, *according to market talk*, and prompted a bout of selling in the shares, which declined 10 to 384p *in turnover of 13m*.

Figures from Cable and Wireless subsidiary Hong Kong Telecom were in line with expectations but failed to stop the shares sliding, which left many commentators perplexed and blaming erroneous rumours. HK Telecom provides C and W with some 60 per cent of its profits.

A story that Kleinwort Benson, a strong bull of C and W, had downgraded the group filtered into the market early on and immediately depressed the shares. The story was dismissed by Kleinwort as rubbish, analyst Mr Tim Hurst reiterating the broker's positive stance on the stock.

There was also some talk of worries over the regulatory situation in Hong Kong, but little evidence to sustain it. Turnover in C and W was a poor 2.6m. The shares, down to 569p at one stage, finished a net 13 off at 575p.

Conglomerate BAT Industries rose sharply after a confident statement about expected 1992 profits and dividend payout at the company's annual meeting. The shares are never very heavily traded and a shortage of stock among some dealers ensured that the price was squeezed up 22 to 807p.

Warnings of a lowered rating prompted British Gas to fall 5 to 259p on turnover of 9.1m shares. Credit-rating agency Moody's Investors Service said it *may lower the AAA long-term ratings of British Gas, and subsidiary debt guaranteed by the parent.*

Oils were down again after profit-takers moved in following the recent sharp gains that reflected the rise in the price of Brent crude. Lasmo was additionally hurt by a profits forecast cut from BZW. The investment bank also argued that Lasmo would reduce its dividend and, although the revision follows a sharp downgrade last week by S.G Warburg, the shares fell 6 to 207p.

Exploration Co of Louisiana was firm at 85p on the back of an in-depth buy recommendation from Henderson Crosthwaite, the company's broker.

Pharmaceuticals group Wellcome retreated in early trading after news of competition in Canada for its Aids drug Retrovir. The rival version is to be sold at a big discount to Retrovir. Although analysts said there could be pricing implications outside Canada, they pointed out that Retrovir's Canadian market is miniscule. The shares were off 16 at one point but volume was small and the stock was later marked up. The announcement of a co-promotion agreement for a Zovirax brand to treat chicken pox also helped sentiment. Wellcome closed 3 off at 985p.

An upbeat meeting on satisfactory results failed to stop Thorn EMI sliding 10 to 835p.

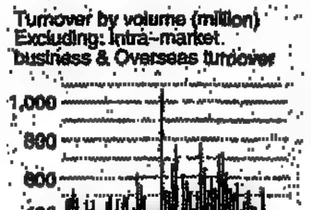
South West, one of the first water companies to report results during the present season, declined 9 to 437p as investors took the slightly higher than expected dividend growth of 8.5 per cent and then sold the shares. Analysts said the price drop represented a special ex-dividend situation and did not indicate disappointment with the company's results, as profits rose to £90m from £86.2m.

Laporte rose 9 to 632p, dealers focusing on the £2m a year saving from job cuts.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

The first day's full trading in Industrial Control Services *saw the shares placed at 110p* and leap to 149p. Turnover was 6.2m.

The market was pleased at the lack of a seasonal price campaign from leading supermarket groups, and also suggested that profits should improve during the summer on higher margin products, such as meat, fruit and vegetables. Tesco rose 9½ to 273p ahead of today's annual meeting, which analysts generally believe will be upbeat, while J. Sainsbury climbed 7½ to 465p.

Oil manufacturer Acatos & Hutcheson was the main mover in the food manufacturing sector, surging 23 to 130p after reporting an unexpected 29 per cent rise in half-year profits and higher interim dividend.

Guinness gained 13 to 589p, recovering all of the loss suffered on Wednesday on a gloomy annual statement, as marketmakers remained generally optimistic about the company's prospects.

Increasing concern about rising oil prices and negative sentiment after Goldman Sachs turned bears on international airlines left British Airways 6 lighter at 294p.

MARKET REPORTERS:
Colin Milham, Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 22.

FINANCIAL TIMES STOCK INDICES

	May 28	May 27	May 26	May 22	May 21	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.58	89.56	89.54	89.58	89.48	94.20	89.58 (22/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.53	105.48	105.43	105.39	105.16	93.61	105.53 (28/5)	97.15 (2/1)	105.53 (28/5/92)	50.53 (3/1/75)
Ordinary Share●	2109.2	2120.4	2133.4	2149.7	2141.9	1948.5	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	110.0	110.3	109.9	111.9	112.6	173.8	180.6 (10/1)	106.6 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2694.2	2698.6	2704.6	2715.0	2702.0	2491.2	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1240.68‡	1242.26	1247.63	1246.12	1239.19	1175.42	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord Div. Yield	[illegible]	4.37	4.34	4.32	4.34	[illegible]				
●Earning Yld %(full)	6.42	6.43	6.39	6.35	6.38	8.57				
●P/E Ratio(Net)(☆)	19.50	19.45	19.59	[illegible]	19.62	14.43				
SEAQ Bargns 5.00pm	27,257	28,571	29,837	31,464	28,963	26,167				
Equity Turnover(£m)†	-	1315.3	[illegible]	937.8	982.8	838.98				
Equity Bargains†	-	31,787	33,883	34,874	[illegible]	25,935				
Shares Traded (ml)†	-	557.4	380.0	438.3	440.2	[illegible]				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.08 ‡ Partial.

Ordinary Share Index, Hourly changes Day's High 2123.3 Day's Low 2105.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2119.4	2115.6	2121.6	2120.1	2115.6	2109.2	2108.8	2108.1	2105.8

FT-SE 100, Hourly changes Day's High 2707.0 Day's Low 2689.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2697.5	2691.9	2701.8	2701.9	2695.7	2690.5	2689.8	2689.5	2690.8

FT-SE Eurotrack 200, Hourly changes ‡Day's High 1243.81 Day's Low 1238.81

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1242.34	1242.97	1242.14	1241.24	1240.41	1238.81	1240.35

GILT EDGED ACTIVITY

Indices*	May 27	May 26
Gilt Edged Bargains	88.1	83.2
5 – Day average	120.6	134.2

*SE Activity 1974.
†Excluding intra-market *business and Overseas turnover.*

London report and latest Share Index: Tel. 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	70	436		Comm. Union	499	494	-4	Lucas	[illegible]	145	-2	Shell Transport	3,100	519	-6
ASDA Group	7,400	32	-1	Cookson	1,700	185	+1	MB Caradon	706	295	-2	Siebe	1,000	724	-37
Abbey National	4,000	300	-5	Courtaulds	539	568	-3	MEPC	537	365	+3	Slough Ests	532	196	
Albert Fisher	683	79		Dalgety	632	422	+4	Manweb	135	355		Smith (W H) A	39	473	+2
Allied – Lyons	974	680	-2	De La Rue	[illegible]	807	-4	Marks & Spencer	2,300	343	-1	Smith & Nephew	342	153½	-½
Amstrad	634	[illegible]	-2	Dixons	1,900	275	-6	Midland Bank	2,800	409		[illegible]	1,100	897	+9
Anglian Water	102	426	-1	ECC Group	380	569	-3	Midlands Elect.	990	302	+3	SmKl Beecham Uts.	71	4028	+46
Argos	1,000	265	-2	Eastern Elect.	1,600	274	-4	NFC	44	276	-1	Smiths Inds	1,100	327	-7
Argyll Group	2,800	355	+1½	East Midland Elec.	1,700	259	-8	NatWest Bank	2,200	350	-4	Southern Elect.	1,600	239	-3
Arjo Wiggins	[illegible]	252		Enterprise Oil	1,300	442	+3	National Power	3,700	235	+4	South Wales Elect.	86	348	-2
Ass. Brit. Foods	33	440	+1	Eurotunnel Units	[illegible]	369	-1	Next	3,300	92½	-½	South West Water	[illegible]	437	-9
Ass. Brit. Ports	506	417	-1	FKI	3,400	80	+1	North West Water	1,200	436½	-1½	South West. Elect.	434	303	-5
BAA	298	642	-1	Fisons	2,400	352	-5	Northern Elect.	439	326	+2	Southern Water	409	417	+2
BAT Inds.	3,600	807	+22	Forte	2,800	239	+1	Northern Foods	680	618	+6	Standard Chartd.	626	465	-4
BET	3,800	146	-2	Gen. Accident	651	460	-6	Norweb	171	341	+2	Storehouse	467	137	-1
BICC	1,100	365	-4	General Elect.	2,400	225½	-½	Pearson	398	860	+5	Sun Alliance	1,000	302	-5
BOC	1,100	681	+1	Glaxo	2,100	756	+6	P & O	1,300	617	-12	T&N	32	161	-1
BPB Inds.	6,900	185	-3	Glynwed Intl.	1,500	299	-6	Pilkington	4,200	164	-3	TI Group	407	695	-2
BTR	2,000	479	-6	Granada	937	273	-2	PowerGen	5,100	243	+4	TSB	3,500	142	
Bank of Scotland	1,800	119	+2	Grand Met.	2,000	506	+6	Prudential	1,800	330	-1	Tarmac	1,700	140	+2
Barclays	3,900	369	-5	GUS A	343	1514	-2	RHM	472	229	+1	Tate & Lyle	[illegible]	392	-2½
Bass	1,300	634	-4	GRE	1,400	145	-1	RMC	[illegible]	658	-7	[illegible]	6,200	116	-10
Berisford Int.	263	22½	-½	GKN	1,300	400		RTZ	1,100	634	-3	Tesco	9,600	273	+9½
Blue Circle	667	253	-3	Guinness	4,700	589	+13	Racal	5,100	60		Thames Water	880	436	
Booker	293	474	+2	Hammerson "A"	33	373		Rank Org.	580	754	-12	Thorn EMI	1,200	835	-10
Boots	1,200	463	+3	Hanson	4,900	229½	+2	Reckitt & Colman	1,000	608	+1	Tomkins	392	500	+1
Bowater	158	837	-4	Hanson Warrants	3,100	29	+1	Redland	1,000	529	+1	Trafalgar House	410	136	-2
Brit. Aerospace	[illegible]	352	+2	Harrisons Crosfield	3,400	[illegible]	-3	Reed Intl.	184	680	+4½	Unigate	1,400	341	-3
British Airways	[illegible]	294	-6	Hillsdown	770	174		Rentokil	221	174	[illegible]	Unilever	1,200	908	
British Gas	9,100	259	-5	IMI	319	300	-1½	Reuters	481	1178	-8	United Biscuits	1,100	402	-3
British Land	393	[illegible]	-1	ICI	[illegible]	1344	-3	Rolls Royce	6,000	163	-2½	Utd. Newspapers	422	435	-5
BP	11,000	272	-2	Inchcape	1,000	486	+1	Rothmans	78	1109	-1	Vodafone	13,000	384	-10
British Steel	14,000	77½	-5	Kingfisher	1,100	570	-3	Ryl Bk Scotland	1,700	197		Warburg (SG)	325	971	-19
British Telecom	3,900	354½	-5	Kwik Save	1,000	620	+2	Royal Insurance	343	236	-3	Wellcome	1,400	985	-3
Br Telecom New	8,300	139	-2	Ladbroke	2,500	236	-6	Saatchi	[illegible]	21¼		Welsh Water	488	474	
Bunzl	35	115	-2	Land Securities	2,100	440	-3	Sainsbury	2,300	465	+7½	Wessex Water	58	502	[illegible]
Burmah Castrol	184	658	+2	Laporte 1992	174	632	+9	Scottish & New.	519	456	+2	Whitbread 'A'	614	474	+1
Burton	7,700	[illegible]	-½	Legal & General	[illegible]	396		Scot. Hydro – Elect.	1,300	198½	+2½	Williams Hldgs	2,500	345	+1
Cable & Wire.	2,600	575	-13	Lloyds Abbey	[illegible]	420	-5	Scottish Power	6,400	104	+1	Willis Corroon	572	265	+1
Cadbury Schweppes	1,100	460	-6	Lloyds Bank	1,300	438	-4	Sears	9,700	85	+3	Wimpey	320	160	-2
Calor Group	178	188	+1	LASMO	3,300	207	-6	Sedgwick	2,800	222		Wolseley	1,600	445	-6
Carlton Comms.	770	668	+1	London Elect.	784	318	-1	Seeboard	141	322	-2	Yorkshire Elect.	657	368	
Coats Viyella	666	215	-2	Lonrho	1,100	94	-1	Severn Trent Water	654	402	+6	Yorkshire Water	204	460	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures started with a hangover and ended with a brief rally in a quiet day's trading marked by the absence of continental interest because of holidays, writes Christopher Price.

Although expected to start brightly, the June contract was marked back at the opening as the news on Olympia & York depressed both equity and futures markets.

From the 2,700-level, June eventually shrugged off the bad news and began to climb on limited buying interest. It reached 2,720 by 10.15, which proved to be the high point of the day.

From then, June spent most of the session in slow decline with few buyers – particularly with the absence of European traders – around to enliven proceedings. It hit its low point at 2,698 by 3.15, when a firmer Wall Street reinforced a brief rally.

June closed at 2,705, two points down on the previous session, but at a premium to fair value of around five. Volume was a paltry 4,791 contracts.

In traded options, British Steel was the top traded stock, recording 3,570 contracts. This was followed by BT with 2,364 lots, the August 360 calls particularly busy, and British Gas at 1,790 contracts.

Total volume was 26,544, compared with Wednesday's 37,651.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Thursday May 28 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed May 27 Index No.	Tue May 26 Index No.	Fri May 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (179)	906.54	-0.8	6.53	5.13	19.94	14.90	913.51	918.93	925.01	813.67
2	Building Materials (22)	1078.76	-0.8	5.13	5.49	27.07	19.03	1087.29	1097.92	1102.83	1030.89
3	Contracting, Construction (28)	1029.29	-1.4	3.52	5.87	59.98	23.82	1044.34	1050.95	1054.29	1271.65
4	Electricals (8)	2728.67	-0.6	6.78	5.41	19.17	68.82	2744.50	2755.27	2758.50	2358.96
5	Electronics (29)	1984.88	-0.3	9.03	4.28	14.04	5.05	1991.16	1991.69	2020.64	1752.01
6	Engineering-Aerospace (7)	390.38	-0.8	8.97	6.65	14.13	11.16	393.66	395.52	401.59	419.38
7	Engineering-General (44)	563.85	-0.5	7.37	4.18	16.83	7.82	566.65	566.89	567.21	438.29
8	Metals and Metal Forming (8)	361.79	-3.6	0.91	9.54	-	2.03	375.30	373.32	374.79	441.60
9	Motors (14)	395.37	-0.2	6.75	5.95	19.46	9.96	396.30	397.08	401.85	322.98
10	Other Industrial Materials (19)	1854.98	-0.6	6.70	4.47	17.99	33.79	1866.99	1888.16	1898.64	1470.52
21	CONSUMER GROUP (188)	1725.50	+0.3	7.07	3.33	17.36	16.67	1720.45	1727.33	1734.42	1460.53
22	Brewers and Distillers (24)	2225.71	+0.8	7.53	3.33	15.96	16.84	2207.60	2228.77	2234.06	1809.11
25	Food Manufacturing (17)	1277.64	-0.2	8.33	4.11	14.86	20.33	1279.87	1288.35	1294.15	1170.19
26	Food Retailing (18)	2908.40	+1.4	8.39	3.13	15.48	20.23	2866.91	2860.99	2876.66	2753.39
27	Health and Household (24)	4158.62	+0.5	6.63	2.55	17.18	35.84	4139.41	4149.97	4161.31	3408.40
29	Hotels and Leisure (20)	1405.48	-1.0	5.91	4.83	21.93	23.50	1419.15	1416.73	1423.76	1289.31
30	Media (25)	1649.05	......	5.80	3.34	21.39	18.07	1648.62	1653.35	1672.76	1416.01
31	Packaging, Paper & Printing (17)	843.76	-0.4	6.09	3.92	19.82	11.55	846.78	852.34	856.96	664.16
34	Stores (33)	1114.81	-0.2	6.79	3.29	19.49	6.71	1117.01	1121.50	1124.67	897.17
35	Textiles (10)	744.76	-0.5	6.17	4.17	20.43	10.52	748.80	751.56	753.23	531.34
40	OTHER GROUPS (116)	1335.28	-0.2	9.16	4.88	13.69	14.24	1337.36	1341.51	1355.00	1228.36
41	Business Services (17)	1487.68	......	6.56	4.28	19.21	14.66	1487.22	1499.02	1505.75	1210.56
42	*Chemicals (22)*	*1569.46*	*-0.2*	*6.80*	*4.64*	*18.03*	*24.37*	*1572.02*	*1583.62*	*1589.61*	*1372.76*
43	Conglomerates (11)	1420.97	+0.3	9.09	6.69	13.74	11.37	1417.39	1421.44	1442.25	1457.54
44	Transport (14)	2697.61	-1.2	6.89	4.30	17.75	30.47	2729.78	2761.40	2788.86	2183.77
45	Electricity (16)	1311.55	+0.5	13.70	5.02	9.41	17.21	1305.22	1305.96	1323.09	1233.57
46	Telephone Networks(4)	1476.19	-1.3	10.38	4.41	12.57	16.02	1495.37	1491.58	1505.86	1479.18
47	Water(10)	2884.75	......	14.62	5.60	7.56	0.00	2884.85	2880.12	2915.00	2455.58
48	Miscellaneous (22)	2136.52	+1.6	5.53	4.61	23.91	21.83	2102.87	2113.62	2140.17	1865.34
49	INDUSTRIAL GROUP (483)	1399.16	......	7.63	4.16	16.37	15.74	1399.83	1405.55	1414.63	1229.54
51	Oil & Gas (17)	2192.69	-1.1	6.92	6.48	19.00	63.63	2217.38	2187.05	2126.10	2359.01
59	500 SHARE INDEX (500)	1473.84	-0.2	7.55	4.40	16.61	19.30	1476.21	1479.49	1483.81	1325.81
61	FINANCIAL GROUP (86)	777.95	-0.8	-	5.84	-	17.10	783.83	787.98	797.45	800.52
62	Banks (9)	984.72	-0.8	4.90	5.54	32.29	24.58	992.76	997.46	1010.32	904.83
65	Insurance (Life) (6)	1545.53	-0.2	-	5.76	-	44.26	1548.92	1570.04	1590.86	1474.05
66	Insurance (Composite) (7)	535.01	-1.6	-	6.50	-	[illegible]	543.81	548.90	558.43	669.92
67	Insurance (Brokers) (10)	1000.18	......	7.80	6.70	16.86	21.48	999.60	995.34	996.81	1074.66
68	Merchant Banks (7)	513.52	-0.8	-	4.15	-	4.25	517.92	516.11	521.89	421.16
69	Property (32)	718.06	-0.3	8.12	6.42	16.57	6.75	720.41	722.06	729.56	948.84
70	Other Financial (15)	269.11	-0.8	6.77	6.43	20.04	3.12	271.17	271.79	271.22	283.72
71	Investment Trusts (70)	1257.80	-0.1	-	3.55	-	15.07	1259.62	1260.06	1261.15	1204.90
99	ALL-SHARE INDEX (656)	1307.66	-0.2	-	4.54	-	18.45	1310.67	1314.00	1319.18	1198.48

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 27	May 26	May 22	May 21	May 20	Year ago
FT-SE 100 SHARE INDEX◆	2694.2	-4.4	2707.0	2689.4	2698.6	2704.6	2715.0	2702.0	2711.9	2491.2

FIXED INTEREST

	PRICE INDICES	Thu May 28	Day's change %	Wed May 27	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (25)	123.41	+0.04	123.35	2.47	4.62
2	5-15 years (24)	140.19	+0.07	140.08	2.57	5.45
3	Over 15 years (10)	153.42	+0.13	153.22	3.45	3.39
4	*Irredeemables (6)*	*168.30*	*+0.02*	*168.26*	*1.10*	*6.11*
5	All stocks (65)	137.64	+0.07	137.54	2.65	5.04
	Index-Linked					
6	Up to 5 years (2)	172.65	+0.21	172.29	0.61	1.83
7	Over 5 years (9)	152.62	+0.45	151.94	1.11	1.64
8	All stocks (11)	154.20	+0.41	153.57	1.03	1.65
9	Debs & Loans (63)	122.79	+0.21	122.53	2.35	4.82

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 28	Wed May 27	Year ago (approx.)
	British Government				
1	Low	5 years	7.97	7.97	9.22
2	Coupons	15 years	8.81	8.81	9.82
3	(0%-7¾%)	20 years	8.81	8.82	9.97
4	Medium	5 years	9.08	9.09	10.35
5	Coupons	15 years	8.87	8.88	10.26
6	(8%-10¾%)	20 years	8.84	8.85	10.19
7	High	5 years	9.27	9.28	10.52
8	Coupons	15 years	9.01	9.01	10.43
9	(11%-)	20 years	8.95	8.96	10.32
10	Irredeemables		9.02	9.02	10.22
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.96	4.01	4.11
12	Inflation rate 5%	Over 5 yrs	4.34	4.37	4.21
13	Inflation rate 10%	Up to 5 yrs	3.24	3.29	3.22
14	Inflation rate 10%	Over 5 yrs	4.16	4.19	4.02
15	Debs &	5 years	10.38	10.39	11.88
16	Loans	15 years	10.12	10.15	11.65
17		25 years	10.03	10.05	11.45

◆Opening Index 2697.5; 9 am 2691.9; 10 am 2701.8; 11 am 2701.9; Noon 2695.7; 1 pm 2690.5; 2 pm 2689.8; 2.30 pm 2690.0; 3 pm 2689.5; 4.10 pm 2691.7; (a) 10.14am (b) 3 07pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel. 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (186).

BRITISH FUNDS (2) Fd 3½pc '99-04, Ex 12pc '13-17, **OTHER FIXED INTEREST** (6) African Dev 11¼pc '10, Asian Dev 10¼pc '09, Hydro Quebec 15pc '11, Intl-Amer Dev 12½pc '03, Do 9¾pc '15, **CANADIANS** (2) Can Pacific 4pc Deb, Gulf Canada, **BANKS** (2) Bk Scotland 9¼pc Pf, Midland, **BREWERS** (3) Mansfield, Marston Thompson, Paramount, **BLDG MATLS** (1) Epwin, **BUSINESS SERVS** (1) MITIE, **CONTG & CONSTRCN** (2) CALA, Vibroplant, **ELECTRICALS** (2) Seales Hunter, Denmans, **ELECTRICITY** (1) Southern, **ELECTRONICS** (8) Control Tech, Druck, Feedback, Misys, *Tunstall*, **ENG AERO** (1) Hunting 8¼pc Pf, **ENG GEN** (7) APV, Concentric, Dickie, EIS, Metalrax, Simon, Wagon, **FOOD MANUF** (1) Acatos & Hutcheson, **HOTELS & LEIS**(2) Photo-Me, Ramsden's, **INSCE LIFE** (1) Utd Friendly, **INV TRUSTS** (21) BZW Convertible, Baring Chrysalis Fd Wts, Contra-Cyclical Zero Pf, Drayton Recovery Prfd Growth, Dundee & London, Exmoor Dual Zero Pf, Finsbury, First Pacific, Fleming Claverhouse, Flmg Emrg-Mkts, Do Wts, Flmg Intl High Zero Pf, General Cons Stppd Pf, Genesis Chile Fd Wts, Murray Ventures, Scot Natl Zero Pf, TR City of Lon Defd, Thornton Asian Emrg Mkts, Throgmorton USM Wts, USDC, Venture Cap, **MEDIA** (3) Blenheim, Carlton Comms, Haynes, **MERCHANT BANKS** (1) Barings 9¾pc Pf, Schroders, **MTL & MTL FORMING** (1) Ash & Lacy, **MISC** (7) Bilston & Battersea, Bluebird Toys, Chemring, Danka, Headlam, Holders Tech, Ricardo, **MOTORS** (6) Avon Rubber, BBA 6¼pc Pf, Dagenham, Henlys, Lex Service, Volkswagen, **OIL & GAS** (1) Lasmo 9⅝pc Pf, **OTHER FINCL** (6) Cater Allen, FNFC 8.3pc Pf, Gerrard & Natl, Jardine Strategic, S & U 31½pc Pf, Provident Fincl, **OTHER INDL MATLS** (3) Amber, Charter Cons, Servomex, **PACKG, PAPER & PRINTG** (3) API, Bemrose, Microgen, **STORES** (1) Moss Bros, **TELE NETWORKS** (1) Vodafone, **TEXTS** (6) Allied Text, Claremont Grmnts, Gaskell, Hse of Lerose, Leeds, Stoddard, **TRANSPORT** (4) Dawsongroup, Powell Duffryn, Seacon, Tibbett & Britten, **WATER** (4) Mid Kent, South Staffs, South West, Southern, **MINES** (2) Antofagasta, MIM.

NEW LOWS (36).

CANADIANS (3) Can Imperial Bk, Echo Bay, Royal Bk Can, **BLDG MATLS** (1) Sandell, **BUSINESS SERVS** (2) Lep, Proudfoot, **CONTG & CONSTRCN** (1) *Birse*, **ENG GEN** (1) Fife Idmar, **HOTELS & LEIS** (4) Castle Comms, Ex Lands, Expedier, Fairline Boats, **INV TRUSTS** (2) First Spanish Wts, Malaysian Emrg Wts, **MEDIA** (2) Crown Comms, TV-am, **MISC** (1) JMD, **OIL & GAS** (4) Conroy Energy, Crusader, Oliver Res, Seafield Res, **OTHER FINCL** (1) Mitsubishi, **OTHER INDL MATLS** (1) Marling, **PACKG, PAPER & PRNTG** (1) Lawson Mardon, **PROP** (3) Clarke Nickolls & Coombs, Estates & Gen, Wates City of Lon, **STORES** (4) Alexon, Amber Day, Body Shop, Ratners, **TEXTS** (1) Utd Uniforms, **TRANSPORT** (2) LOF's, Ocean, **MINES** (1) Western Areas.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
3pc 1992		[illegible]xd	—	[illegible]	97[illegible]	3.01	–
Exch 12¾pc 1992		100[illegible]	—	101¼	100[illegible]	12.19	9.83
13½pc 1992		101[illegible]	—	102¼	101[illegible]	13.36	9.84
Treas 8¾pc 1993		[illegible]	—	[illegible]	97[illegible]	8.81	9.26
10pc 1993‡‡		100½	—	[illegible]	99[illegible]	9.95	9.37
12½pc 1993‡‡		103[illegible]	—	103[illegible]	101[illegible]	12.12	9.44
Funding 6pc 1993‡‡		[illegible]	—	[illegible]	95[illegible]	6.19	8.45
Treas. 13¾pc 1993‡‡		108[illegible]	—	108[illegible]	104[illegible]	12.98	9.34
8½pc 1994		[illegible]	—	[illegible]	96¼	8.88	9.13
14½pc 1994‡‡		109[illegible]	—	109¼	106[illegible]	13.49	9.33
Exch 13½pc 1994		107[illegible]	—	[illegible]	106[illegible]	12.59	9.25
Treas. 10pc Ln. 1994‡‡		101[illegible]xd	—	101[illegible]	98[illegible]	9.89	9.18
Exch 12½pc 1994		106¾	—	106[illegible]	103[illegible]	11.75	9.28
Treas 9pc 1994‡‡		99¾	—	[illegible]	96¾	9.02	9.07
12pc 1995		106¾	—	106¾	103¾	11.25	9.22
Exch 3pc Gas 90-95		91	—	91	88¼	3.30	6.40
10¼pc 1995		102[illegible]	—	102[illegible]	99[illegible]	9.97	9.19
Treas 12¾pc 1995‡‡		110[illegible]	—	110[illegible]	106¾	11.56	9.18
14pc 1996		114[illegible]	+[illegible]	114[illegible]	110[illegible]	12.27	9.33
9pc 1992-96‡‡		100	—	100	95[illegible]	9.00	8.98
15¼pc 1996‡‡		118[illegible]	—	118[illegible]	114[illegible]	12.82	9.34
Exch 13¼pc 1996‡‡		112¾	+[illegible]	112¾	108¾	11.75	9.30
Conversion 10pc 1996		103[illegible]	+[illegible]	103[illegible]	98[illegible]	9.69	9.09
Treas 13¼pc 1997‡‡		114[illegible]	—	114¾	110[illegible]	11.57	9.29
Exch 10½pc 1997		104[illegible]	+[illegible]	104[illegible]	100[illegible]	9.97	9.07
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98¾	+[illegible]	98¾	94	8.95	8.98
8¾pc 1997 D		98[illegible]	+[illegible]	98[illegible]	94¾	8.94	8.98
Exch 15pc 1997		123[illegible]	+[illegible]	123[illegible]	116[illegible]	12.15	9.37
9¾pc 1998		102[illegible]	+[illegible]	102[illegible]	97[illegible]	9.47	9.05
Treas 6¾pc 1995-98‡‡		92¼	—	92¼	88[illegible]	7.29	8.25
15½pc '98‡‡		129¼	+[illegible]	129¼	123[illegible]	11.99	9.26
Exch 12pc 1998		113¾	+[illegible]	113[illegible]	107[illegible]	10.56	9.13
Treas 9½pc 1999‡‡		102[illegible]	—	102¾	97[illegible]	9.24	9.01
Exch 12¼pc 1999		115[illegible]	—	115¾	109½	10.62	9.15

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		107¾	+[illegible]	107[illegible]	101[illegible]	9.78	9.03
Conversion 10¼pc 1999		105[illegible]	—	105[illegible]	100[illegible]	9.64	9.04
9pc 2000‡‡		103[illegible]	+[illegible]	103[illegible]	94¾	[illegible]	[illegible]
9% 2000 C		[illegible]	+[illegible]	[illegible]	[illegible]	[illegible]	8.87
Treas 13pc 2000		120[illegible]	+[illegible]	121[illegible]	114[illegible]	10.76	9.24
10pc 2001		105[illegible]	+[illegible]	105¼	99[illegible]	9.49	9.05
14pc '98-01		120[illegible]	—	120[illegible]	115[illegible]	11.66	9.34
9¾pc 2002		105¼	—	105¼	99¼	9.27	8.94
9¾p 2002 C		105[illegible]	—	105[illegible]	99[illegible]	9.29	8.94
10pc 2003		107[illegible]	—	[illegible]	[illegible]	9.32	8.92
10pc 2003 B		[illegible]	—	[illegible]	58[illegible]	9.30	8.92
Treas 11½pc 2001-04		113¾	+[illegible]	113[illegible]	107[illegible]	10.12	9.16
Funding 3½pc '99-04		[illegible]	+[illegible]	[illegible]	[illegible]	5.38	7.87
Conversion 9½pc 2004		104[illegible]	+[illegible]	104¼	98[illegible]	9.12	8.88
9½pc 2005		104¾	+¼	104[illegible]	98[illegible]	9.10	8.88
Treas 12½pc 2003-05		124[illegible]	—	124¾	118[illegible]	10.06	9.02
8pc 2002-06‡‡		92¾	+¼	92¾	85½	8.64	[illegible]
Over Fifteen Years							
Treas 11¾pc 2003-07		118[illegible]	—	118[illegible]	110[illegible]	9.94	9.01
8½pc 2007 ‡‡		97	+¼	97[illegible]	89[illegible]	8.76	8.83
8½pc 2007 A		97	+¼	97[illegible]	89[illegible]	8.76	8.83
13½pc '04-08		131[illegible]	+[illegible]	132[illegible]	123[illegible]	10.29	9.02
9pc 2008 ‡‡		101[illegible]	+[illegible]	101[illegible]	93[illegible]	8.85	8.77
8pc 2009		[illegible]	+[illegible]	93	85[illegible]	8.60	8.75
Conv 9pc Ln 2011 ‡‡		101[illegible]	+[illegible]	101[illegible]	93[illegible]	8.85	8.77
9pc 2011 B		101[illegible]	+[illegible]	101¼	93[illegible]	8.85	8.78
Treas. 9pc 2012		101¾	+[illegible]	101¾	93[illegible]	8.83	8.77
Treas 5½pc 2008-12‡‡		69[illegible]	+[illegible]	69[illegible]	62¾	7.96	8.76
7¾pc 2012-15‡‡		89[illegible]	+[illegible]	89[illegible]	81[illegible]	8.65	8.80
Exch 12pc '13-17		129[illegible]xd	+[illegible]	129[illegible]	120¼	9.26	8.83
Treas 8¾pc 2017		[illegible]	+¼	[illegible]	87¼	8.79	8.74
Undated							
Consols 4pc		49[illegible]	—	49[illegible]	39¾	8.16	–
War Loan 3½pc‡‡		38[illegible]xd	—	39[illegible]	35[illegible]	[illegible]	–
Conv 3½pc '61 Aft		62[illegible]	—	62[illegible]	[illegible]	5.61	–
Treas 3pc '66 Aft		32¾	—	32¾	29[illegible]	9.27	–
Consols 2½pc		27[illegible]	—	27¼	24[illegible]	[illegible]	–
Treas. 2½pc		27¼	—	27[illegible]	24[illegible]	[illegible]	–

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Index – Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	135[illegible]	+¼	136[illegible]	122½	2.66	3.98
2pc '96	(67.9)	182¾	+¼	183¾	176¾	2.30	3.86
2½pc '01	(78.3)	147½	+[illegible]	147½	143	4.07	4.40
2½pc '03	(78.8)	143[illegible]	+[illegible]	143[illegible]	135[illegible]	4.13	4.41
2pc '06	(69.5)	148[illegible]	+[illegible]	148[illegible]	139[illegible]	4.18	4.40
2½pc '09	(78.8)	133[illegible]	+[illegible]	133[illegible]	126[illegible]	4.16	4.36
2½pc '11	(74.6)	137¼	+[illegible]	137¼	129¼	4.16	4.36
2½pc '13	(89.2)	113[illegible]	+[illegible]	113[illegible]	106[illegible]	4.17	4.34
2½pc '16	(81.6)	128[illegible]	+[illegible]	128[illegible]	112¾	4.16	4.32
2½pc '20	(83.0)	118¾	+[illegible]	118¾	107[illegible]	4.13	4.28
2½pc '24‡‡	(97.7)	98¼	+[illegible]	98¼	88¾	4.11	4.24

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. (ie 8 months prior to issue) and have been adjusted to *reflect rebasing of RPI to 100 in January 1987. Conversion factor* 3.945. RPI for September 1991: 134.6 and for April 1992: 138.8

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		115	+[illegible]	115	105¾	9.87	9.36
Asian Dev 10¼pc 2009		109[illegible]	+[illegible]	109[illegible]	100[illegible]	9.39	9.16
B'ham 11½pc 2012		110½	—	110½	102¼	10.41	10.29
Iceland Cap 8½pc '10		[illegible]	+¼	[illegible]	[illegible]	[illegible]	–
9pc Cap 1996		98½	—	[illegible]	90	9.17	–
12pc '97-02		[illegible]	—	116½	104	[illegible]	–
Hydro Quebec 15pc 2011		140[illegible]	+[illegible]	140[illegible]	130¾	10.67	10.14
Int-Am Dev 12½pc 2003		121[illegible]	+[illegible]	121[illegible]	112¾	10.25	9.25
9¾pc 2015		104[illegible]	+[illegible]	104[illegible]	95½	9.38	9.23
Leeds 13½pc 2006		124	—	124	116¼	10.89	10.28
Liverpool 3½pc Irred		30	—	33¼	30	11.67	–
LCC 3pc '20 Aft		26¾	—	30¼	27	11.11	–
Manchester 11½pc 2007		110½	—	110½	103¼	10.41	10.14
Met. Wtr 3pc 'B'		59½	—	59½	53	[illegible]	9.02
N'wide Anglia 3¾pc 2021		109¼	—	109¼	103¼	–	3.40
4¼pc IL 2024		109	—	109	103¼	–	5.14
Utd Mex States 16½pc 2008		124¼	—	[illegible]	121¼	[illegible]	12.78

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in [illegible]

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	[illegible] for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.74	16.84	16.84
0100	17.34	16.82	16.82
0130	17.31	16.90	16.90
0200	17.31	16.92	16.92
0230	17.31	[illegible]	17.02
0300	17.31	17.02	17.02
0330	17.31	16.90	16.90
0400	17.31	16.89	16.89
0430	17.31	16.89	16.89
0500	17.31	16.89	16.89
0530	[illegible]	16.90	16.90
0600	17.30	[illegible]	16.92
0630	17.34	16.92	16.92
0700	18.97	17.05	17.05
0730	[illegible]	18.86	20.03
0800	19.57	19.55	20.94
0830	21.06	21.45	22.90
0900	[illegible]	[illegible]	25.51
0930	26.49	23.96	25.49
1000	26.49	21.45	22.90
1030	26.49	21.44	22.88
1100	26.49	21.43	22.87
1130	29.33	21.44	22.87
1200	29.33	21.44	22.87
1230	29.33	21.43	22.88
1300	29.33	19.88	21.26
1330	22.02	19.52	20.88
1400	22.02	19.02	20.37
1430	21.06	18.75	20.09
1500	[illegible]	18.75	20.09
1530	21.06	18.75	20.10
1600	21.06	18.66	20.01
1630	21.06	18.75	20.10
1700	26.49	18.75	20.09
1730	26.49	[illegible]	20.09
1800	26.49	18.76	20.10
1830	26.49	18.75	20.10
1900	21.06	18.49	19.84
1930	21.60	18.33	19.67
2000	20.43	17.08	17.08
2030	[illegible]	18.49	19.84
2100	20.43	23.84	25.34
2130	20.43	23.84	25.33
2200	20.43	23.84	25.36
2230	20.43	23.84	25.35
2300	20.43	18.49	19.84
2330	20.21	18.49	19.88
2400	20.21	17.65	18.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg. £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision

NGC Settlements Limited

AMERICANS

Notes	Price £	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

CANADIANS

Notes	Price £	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

BANKS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

BREWERS & DISTILLERS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

BUILDING MATERIALS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

BUILDING MATERIALS - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

BUSINESS SERVICES

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

CHEMICALS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

CONGLOMERATES

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

CONTRACTING & CONSTRUCTION

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

CONTRACTING & CONSTRUCTION - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

ELECTRICALS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

ELECTRICITY

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

ELECTRONICS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

ENGINEERING - AEROSPACE

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

ENGINEERING - GENERAL

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

ENGINEERING - GENERAL - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

FOOD MANUFACTURING

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

FOOD RETAILING

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

HEALTH & HOUSEHOLD

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

HOTELS & LEISURE

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

HOTELS & LEISURE - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

INSURANCE BROKERS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

INSURANCE COMPOSITE

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

INSURANCE LIFE

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

INVESTMENT TRUSTS

Authorised by the Inland Revenue

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

INVESTMENT TRUSTS - Cont.

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

AIB Unit Trust Managers Limited (1000)F

Abbey Unit Tst Mngrs (1000)H

Aberforth Unit Trust Managers Ltd (1600)F

Brown Shipley & Co Ltd—Contd.

Beycourt Unit Tst Mngmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

Burrage Unit Tst Mangmt Ltd (0905)F

CCL Unit Trusts Ltd (1400)F

CIS Unit Managers Ltd (1000)F

For Mayflower Mngmt see Standard UT Mngrs

Mercury Fund Managers Ltd (1000)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: [illegible] This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	269.6	269.6	286.8	+4.4	0.79
(Accum Units) ♥	5	317.3	317.3	337.6	+5.2	0.79
British	5	884.0	900.6	952.8	+0.2	5.24
(Accum Units)	5	1482.5	1510.3	1597.8	+0.3	5.24
European	5	341.1	341.1	362.1	+0.7	1.43
(Accum Units)	5	369.8	369.8	392.5	+0.7	1.43
Japan	5	96.06	96.06	102.3	+0.5	–
(Accum Units)	5	96.83	96.83	103.1	+0.5	–
New Pacific	5	211.0	211.0	225.4	+0.1	1.36
(Accum Units)	5	216.7	216.7	231.5	+0.1	1.36
PEP May 20	5	163.8	163.8	175.0	–	3.51
Mngd Equity	5	132.8	134.2	142.0	–	2.71
Mngd Equity Acc	5	140.9	142.4	150.7	–	2.71
Mngd Cash	0	96.43	96.43	96.43	–	9.35
(Accum Units)	0	121.1	121.1	121.1	–	9.35
Majority Stlg	1	100.53	100.53	101.94	+0.02	9.25
Majority Stlg Acc	1	111.49	111.49	112.61	+0.02	9.25
Stonebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 - Dealing: 0277 261010						
International May 15	.0	49.63	49.63	50.09	–	11.77
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	650.3	657.9	703.6	+8.6	2.78
North America	6	81.48	81.48	87.14	+0.27	0.41
Far East	6	89.25	89.25	95.50	+0.20	0.65
W'wide Bond	6	47.42	47.42xd	50.45	+0.06	6.29
European	6	69.56	69.56	74.39	+0.19	1.37
Equity Income	6	73.40	73.40	78.50	+0.05	4.73
Portfolio	6	60.30	60.30xd	64.49	+0.30	1.66
UK Leading Cos	6	46.53	47.11	50.12	–	2.92
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	–	2.23
Intnl Equity ♥	6	45.76	46.46	49.29	-0.24	2.75
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basing View, Basingstoke, Hants 0800 525725						
American Growth	6	26.18	26.18	28.00	-0.03	0.68
Managed Assets	6	106.55	107.13	114.58	+0.21	3.27
UK Income	6	33.87	34.21	36.59	+0.04	4.36
UK Growth	6	33.77	34.08	36.45	+0.10	1.46
Worldwide Growth	6	23.96	23.96	25.63	+0.03	1.23
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq: 071-606 4044 Dealing: 071-606 6010						
Master Portfolio	5¼	34.80	34.80xd	37.22	+0.04	2.59
Amer Growth Acc	5¼	43.29	43.29	46.25	+0.12	0.16
Cap Protector Acc	5¼	38.49	38.77xd	41.47	-0.03	4.03
Cap Protector Inc	5¼	33.42	33.66xd	36.00	-0.03	4.03
Euro Growth Acc	5¼	59.46	59.46	63.36	+0.14	0.85
Far East Gwth Acc	5¼	80.25	80.25	85.83	-0.08	0.55
Japan Growth Acc	5¼	74.26	74.26	79.37	+0.57	0.00
UK Growth Acc	5¼	60.88	61.57	65.85	+0.04	2.28
UK Income Acc	5¼	61.27	62.07	66.38	+0.03	4.80

FT MANAGED FUNDS SERVICE

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	134 8	141.9	+0.1	–
Property Acc. (Gross)	256.9	270 4	+0.1	–
Equity (Gross)	932.4	981.5	+1.1	–
Managed (Gross)	643.6	677.4	+0.6	–
Property Acc. (Net)	122.8	129.3		–
Equity (Net)	215.2	226.5	+0.3	–
Managed (Net)	197.1	207.5	+0.2	–
International (net)	169.1	178 0	+0.9	–
Gilt & Fixed Interest	140 8	148.3	+0.1	–
Money Fund	139 0	146.3	----	–
Mixed Fund (Cap)	123.5	130 0	..	–
Mixed Fund (Acc)	127.5	134 3	....	–
Adventurous Managed	96 6	101.6	-0.7	–
Cautious Managed	95 8	100 8	-0.1	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	700.3	737.2	+1.5	–
Ret Man (Series 2)	237 5	250.1	+0 6	–
Ret Cash	195.5	205 7	...	–
Pens Mixed Fd (Cap)	138.2	145.5	...	–
Pens Mixed Fd (Acc)	142.6	150.2	..	–
Pens Stlg Fd (Cap)	103.3	108 8	....	–
Pens Stlg Fd (Acc)	106.6	112.3	..	–

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Aggressive	105 0	110.6	-0.1	–
Managed Balanced	102.8	108.2	-0.4	–
Managed Cautious	114.0	120.0	-0.4	–
Pension Funds				
Managed Aggressive	109 9	115.7	-0.2	–
Managed Balance	107.8	113.5	-0.4	–
Managed Cautious	118.7	125.0	-0.6	–

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	142.0	150 0	+1.0	–
Building Soc. Fd	222 0	234.0	----	–
Balanced	287 0	303 0	..	–
European	212.0	224.0	+1.0	–
GT Managed	192 0	203.0	...	–
Gartmore Mngd	129.0	136 0	..	–
German	137 0	145.0	...	–
Gilt	187.0	197 0	...	–
Global	42.0	45 0	+1 0	–

Provident Mutual Life Assc. Assn. – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Index Linked Gilt Init.	126 8	133.5	-0 1	–
Overseas Equity Ord.	272.8	287.2	+1.1	–
Overseas Equity Init.	199.6	210 1	+0 7	–
Property Ord.	221.3	232.9	...	–
Property Init.	162.0	170.5	+0 1	–
Fixed Interest Ord.	229 6	241.7	+0 1	–
Fixed Interest Init.	168.0	176.8	+0 1	–
Deposit Ord.	185.9	195 7	..	–
Deposit Init.	136.1	143.3	+0.1	–
Pension Funds				
Managed Ord.	478.2	503 4	+1	–
Managed Init.	349.9	368 3	+0 6	–
Equity Ord.	752.5	792 1	+1.4	–
Equity Init.	550.7	579 7	+1.1	–
Pen Ind Lkd Gilt Ord	186.9	196 7	-0.2	–
Pen Ind Lkd Gilt Init.	142.9	150 4	-0 1	–
Overseas Equity Ord	310.2	326 5	+1.2	–
Overseas Equity Init	227.0	238 9	+0.8	–
Property Ord.	279 8	294.5	....	–
Property Init.	204.8	215 6	...	–
Fixed Interest Ord	291.7	307.1	+0.3	–
Fixed Interest Init.	213.5	224.7	+0 1	–
Deposit Ord.	266.4	280 4	+0 1	–
Deposit Init.	194.9	205 2	..	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed May 27	270.4	281.7	...	–

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Managed Funds				
Discretionary May 27	£194.37	200.46	+0 68	–
Equity May 27	£227.10	234 90	+1 01	–
International May 27	£27.31	27 90	+0 01	–
Intl Bond May 27	£14.24	14.43	+0.04	–
Fixed Int May 27	£105.79	106.97	+0.48	–
Index Linked May 27	£76.38	77.55	+0.65	–
Property May 27	£109 67	115 71	+0.04	–
Cash May 27	£30.5370	30 5370	+0 0515	–
Pru-Linked Retirement Plan				
Managed May 26	474.7	494.5	...	–
Cash May 26	280.5	292.2	..	–
Prudential Pensions Investment Account				
Pens Mngd May 29	189.1	203 5	+0.1	–
Pens UK Eq May 29	341.2	367 8	..	–
Pens Intl May 29	199 1	214 1	+0 6	–
Pens Global Eqty May 29	106.0	111.6	+0 1	–

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Providence Capital International Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

Albany International Assurance Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Eurolife Assurance Group

Finexco International Ltd

Hafela Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Premium Life International Ltd

Providence Capital International Ltd

MANAGEMENT SERVICES

Sale Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Fairmount Financial Services Ltd

Horstminster Financial Services (Pty) Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Meadway & Dowie Invest Mngt Plc

Northam Riley & Partners

PSR Fund Management Ltd

Pendleton May Financial Services Ltd

Rosborough Financial Management Ltd

Sharp (Albert E.) & Co.

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

PanEuroLife

Tunbridge Wells Equitable

For UK Life assurance see Century Life Plc

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Assurance

Royal Liver Assurance

Save & Prosper Group

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Rothschild Asset Management

Royal Bank of Canada Offshore Fd Mngrs

Schroder Investment Management

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (IOM)

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	Init Chrg	Bid Price	Offer Price	+ or -	Yield Gross
Asset Global Funds Ltd (1200)					
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097					
European Equity	5	14.255	14.255	15.28	
UK Gilt	5	10.543	10.543	11.10	
Intl Equity	5	14.638	14.638	15.63	
International Bond	5	5.1772	5.1772	5.464	
Ashburton Managed	5	£0.99	0.99	1.0442	
European Bond	5	1.0331	1.0331	1.0893	
Sterling Cash Inc	5	0.9847	0.9847	1.0359	
CMI Fund Managers (IoM)					
Clerical Medical Hse, Douglas, IoM 0624 625999					
High Income	5	0.4995	0.4995	0.5153	10.25
CMI Core Portfolio Fund					
UK	5	£– 1.0600	1.1351		
USA	5	£– 1.0442	1.1095		
Japan	5	£– 0.4710	0.4970		
Equity & Law Intl Fund Mngrs Ltd					
Victory Hse, Prospect Hill, Douglas IoM 0624 677877					
Total Income Fd	5	97.10	97.10	102.20 +0.05	10.2
Gartmore Fund Managers (IoM)					
PO Box 32, Douglas, IoM 0624 627610					
Intl Grth	5¼	498.7	498.7	534.4 +2.1	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd					
PO Box 52 Athol St Douglas IoM 0624 661020					
LJ International	5¼	96.63	96.63	103.61 +0.50	
Mercury Fund Managers IoM Ltd					
11 Hill Street, Douglas IoM 0624 662255					
Merc IoM Fund	5	107.0	107.0	114.2	6.0
Merc Intl Bond	5	50.45	50.45	53.05 +0.08	8.3
Sun Life Management (IoM) Ltd					
PO Box 178, Douglas, IoM 0624 622444					
Secure High Income	6	1.0609	1.0609	1.1374	7.91
Unibank Scandinavian Fund Ltd					
23 Bucks Road, Douglas, IoM 06246 26484					
Scandinavia Fd	5	–	138.93	148.19	1.0

	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ May 21			117 987			
Equity Funds						
Japan Equity May 28			$7.579			
US Eq with May 26			$22.375			
US Eq Tech May 26			$19 405			
Citicare May 26			$34.335			
GNMA Bond May 26			$14 941	14 947		
HYB (A) May 26			$91,168.784			
EBC Trust Company (Jersey) Ltd						
EBC Active Traded Currency Fund Ltd*						
Income			$15 18	15.645	(z)	2.75
Capital			$23.62	24.349	(z)	5.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd Long Term*			$33.66	35.1900	(z)	4.89
* Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV May 21 C$13 08						
First Aust Prime Inc Inv Co Ltd NAV May 21 US$10.94						
NAV Diluted to reflect exercise of all Wrnts C$12.71 US$10.63						
Fidelity Investment (CI) Ltd						
Sterling American			£2.467	2.597		
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		(z)	
Foreign & Colonial Mngt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10 69			
Sterling Cash			£11.89			
US$ Bonds			$14.71		+0.01	
Multicurrency Bonds			$19.61		-0.08	
Sterling Bonds			£13.42			
D Mark Bonds			DM10.53			
Ecu Bonds			Ecu11.79			
UK Equities			£10.94		-0.05	
US Equities			$16.42		+0.01	

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts down

TRADING was quiet on the foreign exchanges as much of northern Europe celebrated Ascension Day.

The dollar drifted down on profit taking after Wednesday's strong performance. Modestly encouraging US weekly jobless claims data raised barely a flicker of interest.

Jobless claims fell to a seven month low of 403,000 from a revised 407,000 the week before. Forecasts had been for another rise to 408,000.

Analysts said the figures were consistent with a rise in May non-farm payrolls of 100,000 or slightly more and would, therefore, keep the Federal Reserve from further easing.

By mid-afternoon the dollar had drifted down almost a pfennig to DM1.6275 after Wednesday's close at DM1.6345. The softening of the US currency also followed rumours that the Bank of Japan had been intervening to steady the Yen.

One trader said he suspected the BoJ intervened in Tokyo over night but doubted it had carried on into European trading.

At the Tokyo close the dollar stood at Y129.92 and DM1.6340. It closed in Europe at Y129.50 and DM1.6266.

In the US the dollar was lower at midday against the quiet domestic news background and the European holiday.

It stood at DM1.6265 and Y129.50 at midday, down from DM1.6310 and Y129.85 at the opening. Traders were waiting for the M2 measure of the money supply which was expected to show a fall of $3.7bn compared with a rise of $5.4bn the previous week. A drop in M2 of $5bn or more would take annual growth back below the floor of the Federal Reserve's 2.5 to 5.5 per cent target range and keep fears of another easing alive, analysts said.

The pound remained subdued in the quiet market. Traders said the slight retreat in the dollar had helped the D-mark at sterling's expense and there were also signs that the pound was being sold for French francs following news on Wednesday that the French trade surplus jumped to a record FFr7.79bn in April from FFr1.06bn the month before.

The peseta survived a half-day general strike relatively unscathed. Spanish officials and businesses dismissed the effect of the strike but unions believed it would force a change of heart on controversial labour reforms. The economy minister, Mr Carlos Solchaga plans to accelerate liberalisation of the Spanish economy in order to meet European economic and monetary union convergence requirements.

The peseta closed at Pta183.10 against the pound compared with Wednesday's close of Pta183.6.

Dealers warned that trading in Europe was likely to remain quiet for the rest of the week.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 27	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.416	-4.65	6.03	76
Spanish Peseta	133.631	128.276	-4.01	5.33	69
Belgian Franc	42.4032	42.3104	-0.22	1.33	15
Dutch Guilder	2.31643	2.31585	-0.03	1.13	6
D-Mark	2.05586	2.05647	0.03	1.07	4
Irish Punt	0.767417	0.768490	0.14	0.96	-2
French Franc	6.89509	6.90572	0.15	0.95	-4
Sterling	0.696904	0.698386	0.20	0.90	-6
Italian Lira	1538.24	1548.81	0.69	0.41	-29
Danish Krone	7.84195	7.92860	1.10	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7980 - 1.8075	1.8060 - 1.8070	0.92-0.90cpm	6.04	2.71-2.66pm	5.97
Canada	2.1605 - 2.1730	2.1695 - 2.1705	0.74-0.70cpm	3.98	1.50-1.43pm	2.70
Netherlands	3.3025 - 3.3125	3.3025 - 3.3125	¼-parcpm	0.45	½-¼pm	0.45
Belgium	60.35 - 60.55	60.45 - 60.55	5-1cpm	0.69	14-5pm	0.63
Denmark	11.3125 - 11.3375	11.3275 - 11.3375	¼-½oredis	-0.46	par-1¼dis	-0.20
Ireland	1.0970 - 1.1010	1.0995 - 1.1005	par-0.04pm	0.22	0.03-0.08pm	0.16
Germany	2.9350 - 2.9400	2.9350 - 2.9400	¼-parpfpm	0.26	¾-¼pm	0.34
Portugal	243.10 - 244.30	243.15 - 244.15	112-150cdis	-6.45	250-340dis	-4.84
Spain	182.95 - 183.40	182.95 - 183.25	30-40cdis	-2.29	99-115dis	-2.34
Italy	2209.25 - 2214.00	2211.50 - 2212.50	3-5liredis	-2.17	11-13dis	-2.17
Norway	11.4375 - 11.4625	11.4525 - 11.4625	¼-⅝oredis	-0.39	¼-1dis	-0.20
France	9.8450 - 9.8725	9.8575 - 9.8675	¼-parcpm	0.15	⅝-¼pm	0.20
Sweden	10.5675 - 10.5875	10.5775 - 10.5875	⅝-1¼oredis	-1.06	2¼-3⅝dis	-1.20
Japan	233.50 - 234.50	233.50 - 234.50	1⅛-1ypm	5.45	3¼-3pm	5.34
Austria	20.66 - 20.70	20.67 - 20.70	1⅜-¼gropm	0.47	3¼-¼pm	0.39
Switzerland	2.6600 - 2.6750	2.6600 - 2.6700	¼-parcpm	0.56	⅝-⅜pm	0.75
Ecu	1.4270 - 1.4310	1.4285 - 1.4295	0.02dis-0.03cpm	0.04	0.02-0.11dis	-0.18

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.06-5.01pm 12 Month 8.74-8.64pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7980 - 1.8075	1.8060 - 1.8070	0.92-0.90cpm	6.04	2.71-2.68pm	5.97
Ireland†	1.6370 - 1.6455	1.6440 - 1.6450	0.81-0.78cpm	5.80	2.41-2.34pm	5.78
Canada	1.1995 - 1.2065	1.2035 - 1.2045	0.20-0.23cdis	-2.14	0.60-0.65dis	-2.08
Netherlands	1.8305 - 1.8405	1.8310 - 1.8320	0.83-0.86cdis	-5.54	2.56-2.59dis	-5.62
Belgium	33.45 - 33.60	33.45 - 33.55	14.00-16.00cdis	-5.37	44.00-48.00dis	-5.49
Denmark	6.2700 - 6.2950	6.2700 - 6.2750	3.00-3.40oredis	-6.12	9.40-10.10dis	-6.22
Germany	1.6250 - 1.6355	1.6260 - 1.6270	0.78-0.80pfdis	-5.83	2.35-2.38dis	-5.82

FINANCIAL FUTURES AND OPTIONS

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.725	7.90	7.95	7.53	7.65	0.01	0.50	1.28	2.03
1.750	5.00	5.23	5.49	5.73	0.17	1.02	2.01	2.89
1.775	2.65	3.41	3.80	4.14	0.63	1.85	3.08	4.05
1.800	1.32	2.03	2.55	2.96	1.63	3.04	4.46	5.46
1.825	0.47	1.13	1.69	2.05	3.28	4.65	6.13	7.13
1.850	0.10	0.56	1.04	1.41	5.41	6.60	7.92	8.94
1.875	-	0.23	0.60	0.89	7.71	8.72	9.99	10.91

Previous day's open int. Calls 261,727 Puts 497,890 (All currencies)
Previous day's volume Calls 14,628 Puts 16,638 (All currencies)

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co	10	Roxburghe Bank Ltd	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Pressure lifted

AFTER several days of tight trading the pressure was finally taken off the UK money markets yesterday.

Although the overnight rate climbed swiftly to well over 11 per cent in the early morning it plunged at midday once it became clear that the big liquidity shortage forecast by the Bank of England would be relieved easily, contrary to expectations.

The Bank's initial forecast was less than the shortages forecast at the beginning of the week but still considerable at £1.3bn.

UK clearing bank base lending rate 10 per cent from May 5, 1992

In the early round of the Bank's operations traders held on to paper, keeping liquidity tight. As the cost of overnight money crept upwards the Bank acted to push overnight rates below 11 per cent. At midday it was successful.

Overnight rates, which had started the day ¾ of a point firmer at 11⅞ per cent, fell to around 9 per cent after the Bank bought £1bn of bills across the bands and conducted its second repurchase agreement of the morning.

After that, there was little life left in the market. Many operators had managed to square their books as the rate tumbled. Those who dithered found themselves paying up to 10½ per cent later.

In the afternoon the forecast was revised slightly to £1.35bn. The Bank operated again, purchasing a further £65m of band-1 bills at 9⅞ per cent. Late assistance of £35m brought total interventions for the day to £1.3bn, all but taking out the shortage.

The key three-month rate, which opened at 10⅛ per cent eased to 10⅛ per cent but moved back to close unchanged on the day.

At the longer end, rates remained unchanged with six month money closing at 10⅛ per cent, and one year money at 10 per cent.

There was very little activity on the futures market which continued to indicate no early cut in base rates. The September sterling contract, now the most actively traded futures contract, edged up 6 basis points during the day from an open of 90.30. The June contract traded in a five tick range and closed at 90.02.

The Federal Reserve added reserves to the banking system with four-day system repurchase agreements. Federal funds traded at 3¾ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 28) 3 months US dollars		6 months US Dollars	
bid 3⅞	offer 4⅛	bid 4¼	offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
		One month	3.36	Three year	5.80
		Two month	3.63	Five year	6.71
Prime rate	6½	Three month	3.77	Seven year	7.06
Broker loan rate	6	Six month	3.96	10-year	7.41
Fed.funds	3⅝	One year	4.21	30-year	7.89
Fed.funds at intervention	-	Two year	5.24		

May 28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.60-9.75	9.60-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9¾-9⅞	9.60
Zurich	8¾-9¼	9-9¼	-	8¾-9¼	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4⅞-4⅞	4⅞-4⅞	-	4⅞-4¾	-	-
Milan	12¼-12½	12⅛-12⅜	-	12⅞-12⅜	-	-
Brussels	9⅞-9⅞	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	9⅞-9⅞	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛	-

LONDON MONEY RATES

May 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10¼	10⅛	10⅛	10	9⅞
Interbank Bid	9	10	10	10	9⅞	9⅞
Sterling CDs	-	-	10⅛	10	9⅞	9⅞
Local Authority Deps.	9⅞	9⅞	9⅞	9⅞	9⅞	9⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	10¼	-	-	-	-
Company Deposits	-	-	10⅛	9⅞	9⅞	9⅞
Finance House Deposits	-	-	10¼	10⅛	10	9⅞
Treasury Bills (Buy)	-	-	9⅝	9⅝	9¼	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅜	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.86	3.89	4.01	4.45
SDR Linked Dep. Offer	-	-	6⅛	6⅜	6⅜	6½
SDR Linked Dep. Bid	-	-	6⅛	6⅜	6¼	6⅜
ECU Linked Dep. Offer	-	-	10⅞	10⅞	10¼	10⅛
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅛	10

Treasury Bills (sell); one-month 9½ per cent; three months 9⅜ per cent; six months 9⅛ per cent; Bank Bills (sell); one-month 9⅞ per cent; three months 9½ per cent; Treasury Bills; Average tender rate of discount 9.3723 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,859 Set by GRIFFIN

ACROSS

1 Signs and numbers when housing in good condition (6)
4 In wood go back to find shrub (6)
8 Volunteers to go into park with sweetheart to participate (7)
9 Person using rope is team leader (7)
11 Orderly met a child running round the job centre (10)
12 Cold primate needs cloak (4)
13 Meaning to include name sees cast (5)
14 Rum salesman takes trouble, you see, when calling back (8)
16 Is accepting foreign cars in plants (8)
18 About now you must start prompt (5)
20 Prison movement (4)
21 Fur-loving eccentric swallows a food additive (10)
23 Fantastic business using rare liquid (7)
24 If irritable about it, swear! (7)
25 Hurry everyone going to work after midnight (6)
26 Waste liquid gloss on railway (6)

DOWN

1 Shoot up oriental craft (5)
2 Man outside long room (7)
3 Undress Ken as Ned's changing (9)
5 Country dweller left novel key ring inside at first (5)
6 Very good accountant with lot standing outside local (7)
7 Once my Pearl upset model (9)
10 Doubtful if Sarah's outside, except when divorcee's left in charge (9)
13 First time in bird must be frightening (9)
15 Minute hole in a pink material (9)
17 Queue following despicable person arrives at dock (7)
19 Damage to a rare charging device (7)
21 Give up starting fights or leave (5)
22 Quick in raising fifty unconditionally (5)

Solution to Puzzle No.7,858

WORLD STOCK MARKETS

AUSTRIA; BELGIUM/LUXEMBOURG; DENMARK; FINLAND; FRANCE; FRANCE (continued); GERMANY; GERMANY (continued); ITALY; NETHERLANDS; NORWAY; SPAIN; SWEDEN; SWEDEN (continued); SWITZERLAND; SOUTH AFRICA; JAPAN; AUSTRALIA; AUSTRALIA (continued); HONG KONG; MALAYSIA; SINGAPORE

[illegible]

CANADA

TORONTO

3:00 pm prices May 28

[illegible]

MONTREAL

3:00 pm prices May 28

[illegible]

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

[illegible]

NASDAQ Composite	577.35	575.65	580.30	579.10	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 22	May 15	May 8	year ago (approx.)
Dow Industrial Div. Yield	2.92	2.79	2.77	3.11
	May 20	May 13	May 6	year ago (approx.)
S & P Industrial div. yield	2.63	2.62	2.61	2.79
S & P Indl. P/E ratio	28.92	29.19	29.29	18.89

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Syntex	5,717,000	37¾	- 3¾
Philip Morris	2,789,000	75¾	+ 1
RJR Nabisco	2,549,600	9¾	+ ⅛
Arcadian Oil	2,503,500	13¾	----
Disney (Walt)	2,390,400	37¼	- ⅛
Exxon	2,339,600	61¾	- 2¼
Gen Motors	2,186,200	39¼	+ 1¼
Merck	1,712,600	49½	- ⅛
Schlumberger	1,686,800	67¼	- 1¼
Conner Periph	1,628,900	22	- ⅛

TRADING ACTIVITY

† Volume Millions	May 27	May 26	May 22
New York SE	179,970	196.950	146,640
Amex	15,115	14,672	11,113
NASDAQ	138,337	126,744	124,852
NYSE			
Issues Traded	2,276	2,256	2,228
Rises	844	612	971
Falls	795	1,116	644
Unchanged	637	528	613
New Highs	43	36	48
New Lows	31	29	20

CANADA TORONTO

	May 27	May 26	May 25	May 22	1992 HIGH	1992 LOW
Metals & Minerals	3087.21	3046.84	3018.30	3027.60	3238.87 (16/1)	2828.26 (8/4)
Composite	3382.90	3382.30	3370.30	3372.15	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1784.04	1781.72	1771.64	1772.80	1937.59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common–50; Standard and Poor's–10; and Toronto Composite and Metals–1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AUSTRALIA; AUSTRIA; BELGIUM; DENMARK; FINLAND; FRANCE; GERMANY; HONG KONG; IRELAND; ITALY; JAPAN; MALAYSIA; NETHERLANDS; NORWAY; PHILIPPINES; SINGAPORE; SOUTH AFRICA; SOUTH KOREA; SPAIN; SWEDEN; SWITZERLAND; TAIWAN; THAILAND; WORLD

[illegible]

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100 and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary [illegible] Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 28 May 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod ...	4.7m	910	+35	Mochida Pharm ..	2.7m	3,810	+110
Ricoh Co	4.5m	528	+27	Morinaga Milk	2.6m	869	+18
Asahi Chem Ind .	4.3m	674	+14	Jpn Storage Batt	2.4m	1,070	+40
Nippon Zeon	3.2m	662	+24	Jpn Mtl & Chem .	2.4m	775	-3
Mitsubishi Kakok	3.2m	1,170	+20	Nippon Mining ...	2.3m	469	+16

Prices data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices May 28

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp	0.48	3.7	15	212	13	12⅞	13	
28	20⅝	A L Labs A	0.18	0.8	83	822	23⅜	23⅛	23¼	+⅛
68¼	58	AMP Inc	1.52	2.4	26	633	62½	62	62⅛	-⅛
80¼	63⅝	AMR			761	4469	61¾	60⅞	61¼	-2⅜
2⅞	1⅞	ARX			22	100	1¾	1¾	1¾	
53½	40¼	ASA x	2.00	4.4	13	107	45½	44⅞	44⅞	-⅛
68⅝	56¼	Abbott Lab	1.20	1.8	25	2728	66¼	65½	66¼	+½
13⅞	12	Abitibi Pr	0.42	3.5	8	17	12⅜	12⅝	12⅜	+⅛
11⅝	10⅛	ACM Gvt In	0.96	8.7		121	11	10⅞	11	+⅛
10⅞	9⅜	ACM GvOpp	0.80	8.5		90	9½	9⅜	9⅜	-⅛
9½	8½	ACM Gvt Sp	0.80	8.8		200	9⅛	9	9⅛	+⅛
11¼	10⅛	ACM Gvt Se x	0.88	8.0		127	10⅞	10⅝	10⅝	-⅛
9½	8⅝	ACM Man	0.95	9.9		1384	u9⅝	9⅜	9⅝	+¼
12⅞	10⅞	ACM Manage	1.08	9.3		210	11¾	11½	11⅝	
11¾	6¼	Acme Cleve	0.40	6.0	22	20	6¾	6⅝	6⅝	
6¼	4½	Acme Elect			4	8	4⅞	4¾	4¾	
33¼	16⅞	Acuson			14	400	22⅞	22⅛	22¼	
18½	16⅛	Adams Expr	0.48	2.6	0	37	18⅞	18¾	18¾	
49⅞	39	Ad Micro	3.00	7.5		1762	40	39⅝	40	+¼
21½	14⅝	Ad Micro P	3.00	18.2		64389	16⅝	15¾	15⅞	+¼
9⅞	5	Advest Grp	0.16	2.4	66	94	6¾	6⅝	6⅝	-⅛
71⅞	66	Aegon ADR	1.50	2.2	6	6	67¼	67	67¼	-½
47	38⅞	Aetna Lf	2.76	6.6	8	1212	42¼	41⅞	42⅝	+⅞
12	8⅞	Ahll A	0.24	2.2	12	369	10⅞	10⅝	10¾	-⅛
32⅞	24	Aflac	0.44	1.5	14	337	28⅝	28½	28¾	+¼
19⅞	15⅛	Ahmanson	0.88	5.0	6	710	17⅞	17½	17½	-¼
22½	7¾	Aileen Inc			7	73	6⅝	7⅞	8	+⅛
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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
82¼	65½	Xerox	3.00	4.0	18	650	75⅝	74⅛	75⅛	+⅜
63½	50½	Xerox4.125				z100	53	53	53	
28½	24⅞	Xtra 1.94	1.94	7.1		59	27⅞	27⅛	27⅞	+⅛
37	26½	Xtra Corp	0.80	2.4	12	30	34	33⅞	33⅞	
27	25¼	Yankee Egy	1.66	6.2	12	9	u27	26¾	26¾	-¼
1½	½	Zapata				62	39	1⅛	1⅛	+⅛
11⅛	6¾	ZenithElec				41552	8⅛	8	8⅛	+¼
16⅞	14⅛	Zenith Nat	1.00	5.6	6	64	17⅞	17½	17⅞	+⅜
7⅛	6	Zenix Inc x	0.85	12.3		96	6⅞	6¾	6⅞	+¼
13¾	11	Zero Corp	0.40	3.5	18	156	11½	11¼	11½	
38	20½	Zurn Ind	0.88	2.8	34	72	31	30¾	31	+⅛
14⅛	12⅛	Zweig Fund	1.16	9.0		161	13	d12¾	12⅞	
11	9⅞	Zweig Totl	1.00	9.6		635	10⅝	10½	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	24	1822	23⅝	d22⅞	23⅛	-⅛
Pegasus G	0.10	32	270	12⅝	12½	12½	-⅛
Perini	0.80	26	36	13⅛	13	13⅛	-⅛
Pet H&P	0.51	15	12	13⅝	13⅝	13⅝	+⅛
Phil LD	0.24	19	448	45½	45	45⅛	-⅞
Pittway A	1.10	16	45	30½	30½	30½	
Ply Gem	0.12	28	20	13⅞	13⅛	13⅜	+⅛
PMC	0.84	15	60	10⅛	10⅛	10⅛	-⅛

MERSEYSIDE

NASDAQ NATIONAL MARKET

3:00 pm prices May 28

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		26	1684	23½	23¼	23¼	-⅛
Xoma Corp		11	1716	20	19½	19¾	-⅛
Yellow Fr	0.94	23	465	29	28⅛	28½	
York Rsch		52	928	6⅛	6¼	6¼	+⅛
ZionsUtah	1.44	10	56	52¼	51	52¼	

GWENT

AMERICA

Dow higher despite telephone sell-off

Wall Street

US EQUITIES managed to post slim gains yesterday morning, in spite of a strong sell-off of cellular telephone and long distance telephone stocks following news of a stock-swap merger between Sprint and Centel, valuing Centel at $2.85bn, *writes Karen Zagor in New York*.

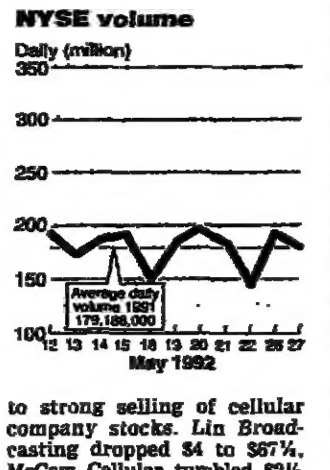
At 1 pm, the Dow Jones Industrial Average was 3.37 higher at 3,373.81 in volume of more than 113m shares. Advancing issues outpaced those declining by a ratio of 8 to 7. The more broadly-based Standard & Poor's 500 rose 0.95 to 413.12, while the Nasdaq composite was up 1.12 at 578.47. On Wednesday, the Dow closed up 6.23 at 3,370.44.

There was little reaction to news that jobless claims for the week ending May 16 had fallen by 4,000 in a week when many analysts had expected claims to rise.

A proposed stock-swap merger between Sprint, the third biggest US long-distance telephone company and Centel, a Chicago-based local telephone company, wreaked havoc with telephone company stocks yesterday morning. Investors were jolted by the low valuation of Centel. Centel holders will get Sprint stock valued at $33.57, nearly $9 below Centel's closing price of $42¼ on Wednesday.

At mid-session, shares in Centel had plummeted $10⅞ to $31⅝, while Sprint dropped $1⅝ to $22⅞.

The low price threw into question how other cellular companies are valued and led to strong selling of cellular company stocks. Lin Broadcasting dropped $4 to $67½, McCaw Cellular tumbled $2⅛ to $26⅞ and GTE slipped $⅞ to $31⅛.



Among other long-distance carriers, American Telephone & Telegraph firmed $⅝ to $42⅝ while MCI Communications added $1⅛ to $31⅞.

In the airline sector, share prices were depressed by concerns about an accelerated fare war triggered by news that American Airlines was cutting its lowest advance purchase fares by 50 per cent. AMR, parent of American airlines, fell $2⅛ to $61⅛, UAL, parent of United Airlines, lost $4⅞ to $112⅞, USAir slid $⅜ to $12½ and Delta Air Lines eased $⅜ to $56⅞.

Among advancing blue chip stocks, Philip Morris advanced $1½ to $76⅞. Merck firmed $⅜ to $49⅞ and PepsiCo added $¼ to $35⅛.

Shares in US cereal makers gained ground after Kellogg said that it was increasing US cereal prices by an average of 3.5 per cent. Kellogg moved $1⅞ higher to $57⅞, General Mills rose $1⅝ to $60⅞ and Quaker Oats by $⅝ to $55⅝.

Auto company stocks, which rose on Wednesday following surprisingly strong mid-May car sales, were mixed. Ford slipped $¼ to $43⅞, General Motors held steady at $39, and Chrysler added $⅛ to $18.

Canada

TORONTO lost ground at midday as banks continued to weaken following further developments at Olympia & York which called in the administrator at its UK development.

The TSE 300 lost 19.86 to 3363.20 in volume of nearly 15m shares. Declines led advances by 245 to 174, with 247 unchanged.

ASIA PACIFIC

Foreign buying reverses Nikkei's downtrend

Tokyo

SHARE prices, which had fallen initially on arbitrage unwinding, picked up on late afternoon bargain hunting and index-linked buying, *writes Emiko Terazono in Tokyo*.

The Nikkei average finished a net 108.69 up at 17,931.25 after a low for the day of 17,686.07 and high of 17,944.20. The index fell on selling by arbitrageurs, triggered by a lower futures market. However, index-linked buying, prompted by short-covering in the futures market, and foreign bargain hunting pushed equities into positive territory by the close.

Volume shrank to 200m shares from 294m. Advances led declines by 508 to 406, with 204 issues unchanged. The Topix index of all first section stocks gained 3.70 to 1,356.31, but in London the ISE/Nikkei 50 index shed 3.78 to 1,071.14.

Foreigners were seen small-lot buying across the board. Mr Brian Tobin at S.G. Warburg Securities said: "Overseas clients are active, buying up cheaper stocks, but domestic clients are only watching."

Activity was dominated by short-term "theme" trading by dealers. Meiji Milk Products, the most active issue of the day, climbed Y35 to Y910, and Mitsubishi Kakoki, a water treatment equipment maker, rose Y110 to Y3,810.

In addition to the bio-technology and environmental protection themes, dealers are trying to promote companies related to China, seen as a potentially large market for Japanese companies. Yaohan Japan, a medium-sized retailer, added Y60 at Y1,420 on the "China theme".

Blue chip electricals gained ground. Foreign buying lifted Sony Y210 to Y4,290.

Mining issues were boosted by higher gold prices. Nippon Mining moved up Y18 to Y469.

Banks were mixed ahead of profit announcements for the last fiscal year, released after the close. Industrial Bank of Japan improved Y30 to Y1,820 and Fuji Bank Y20 to Y1,460.

Before the market closed, Sakura Bank announced that its capital adequacy ratio for the year ended last March fell short of 8 per cent, the level required by the Bank for International Settlements. Investors, however, failed to respond, and Sakura remained unchanged at Y1,070.

In Osaka, the OSE average picked up 158.77 to 20,600.52 in volume of 14.6m shares. Strength in Ono Pharmaceutical, sought on the bio-technology theme, encouraged small-lot buying in other issues. Ono, Osaka's leading active of the day, rose Y320 to Y6,490.

Roundup

PROFIT-TAKING in Hong Kong was the most significant factor in a mixed day for the region.

HONG KONG closed sharply lower, the Hang Seng index losing 94.57 to 5,988.13 in turnover of HK$5.3bn.

Hutchison Whampoa gained 40 cents to HK$18.80 on plans to privatise Cavendish, the existing issued stock finishing HK$1.075 up at HK$5.25. Hong Kong Land was 50 cents stronger at HK$13.80 following Wednesday's announcement that it had sold a central city office building for HK$3.8bn.

Hong Kong Telecom fell 35 cents to HK$9.75 on fears that revenue would be hit by a possible drop in the tariff for long-distance calls. The prospect of higher crude oil prices pushed Cathay Pacific down 70 cents to HK$12.90.

SEOUL declined on the detail of the government's plan to help investment trusts suffering from liquidity problems.

Some analysts said the financial assistance would only help to reduce the companies' interest payments. The composite index slipped 6.60 to 578.63 in turnover of Won325.5bn.

TAIWAN saw profit-taking in financials and the weighted index shed 40.36 to 4,501.02 in turnover of T$21.9bn.

Commercial banks were higher, with Hua Nan up T$2 to T$112.50 following the Finance Ministry's approval for its Hong Kong representative office to be upgraded to branch status.

KUALA LUMPUR saw activity in Tenaga Nasional on its market debut, the shares closing at M$8.75 for a premium of M$4.25 over the offer price. The volume of 52m shares accounted for about 62 per cent of the market total. The KLSE composite index ended 8.97 ahead at 600.17.

Telekom advanced 90 cents to M$13.70. Malaysian Airline System dipped 15 cents to M$6.25 after reporting a 43 per cent drop in annual group net profits.

SINGAPORE rose for the third consecutive day on institutional buying. The Straits Times Industrial index gained 21.61 to 1,528.15.

AUSTRALIA's All Ordinaries index closed 10.7 stronger at 1,676.5, starring the market leader, BHP, which jumped 26 cents to A$14.38 in turnover of A$39.4m.

Market turnover was boosted to A$301m by option-linked business. Traders said sentiment was boosted by the release of the latest round of positive economic figures.

NEW ZEALAND was encouraged by strong performances from three leading stocks, the NZSE-40 index advancing 18.47 to a closing 1992 high of 1,558.68.

BANGKOK fell for its third straight day on political worries, the SET index ending 10.92 lower at 704.83 in moderate turnover of Bt3.1bn.

MANILA was affected by a loss of electricity which kept activity low, and the composite index fell 18.48 to 1,403.35 in combined turnover of 279.8m pesos.

Brazilian equities steady after political turmoil

Bill Hinchberger puts a week's events into context

After a few days of rough and tumble, Brazilian stock markets have recovered since Wednesday, when President Fernando Collor de Mello's brother said that he had no proof of earlier charges of high level corruption, and drug abuse against his presidential brother.

On Monday, the São Paulo Stock Exchange's Bovespa index dropped 7.4 per cent, its sharpest fall this year, partly in response to allegations made by Mr Pedro Mello (as he prefers to be called) in an interview in a leading weekly news magazine.

Equities then levelled off, in spite of rocky trading, on Tuesday, as the president ruled out the possibility of resigning or impeachment, and moved on to the offensive by launching a police inquiry, and legal proceedings against his brother for "moral damage". On Wednesday, the Bovespa rose 7.5 per cent to 25,388, and yesterday it put on 2.2 per cent by early afternoon. "It was a good ending," said Mr Alvaro A. Vidigal, Bovespa president.

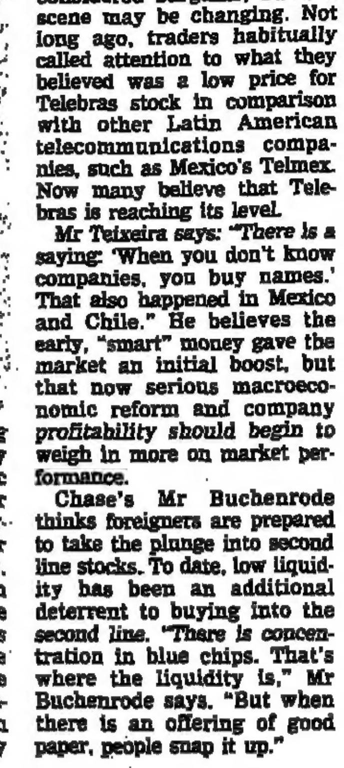
Other observers are more reluctant to put the lid on the Collor brothers episode. "Right now, everyone wants to downplay these events," said Mr Roberto Teixeira da Costa, director-president of Brasilpar Financial Services. "With the meeting of the decade coming up [next week's environmental summit], we have got plenty of problems, and we do not need any more." The medium term effects on the market are hard to predict, he believes.

This week's events may serve as a cautionary sign to some investors, who had been stepping on the accelerator to push more money into Brazil. The prospects were, and probably still are, enticing: during the first four months of 1992, the Bovespa index had chalked up a 90 per cent surge in dollar terms and steady volumes of $100m or more.

Last week, the central bank announced that $1.4bn entered Brazilian stock markets from abroad in the first four months of this year. With remittances of $359.9m, net investment was $990.6m – already topping the $570.8m registered last year, most of which entered after institutional investors were allowed to invest directly in Brazilian equities last June.

Given enough confidence, there is room for more, say analysts. In Brazil, foreign investment accounts for about 4 per cent of equity market capitalisation, against 20 per cent in Mexico and 8 per cent in Chile. But the number of companies traded (570) in São Paulo is far more than for any other Latin American market.

The enigma of Brazil's market is that it began catching foreign eyes before the country had completed the economic house cleaning that other countries in the region undertook at an earlier stage in their stock exchange development. Brazil has benefited from Latin America's improved image abroad, partly thanks to moves in other countries, where the structural reforms are more advanced and inflation is considerably more modest than Brazil's 20 per cent monthly average.



"Sure, Brazil is hitching a ride," said Mr Julius Buchenrode, director for investments of the local subsidiary of Chase Manhattan Bank. "But if it weren't giving off the right signals, the money wouldn't be coming in. With all of Collor's problems, he has made it clear that he will pursue structural and fiscal reform at any cost."

So far, most investors, both foreign and domestic, have found their opportunities in a handful of state-controlled blue chips. The four most traded issues account for three-quarters of Bovespa's activity. Telebras, the public telecommunications company, is alone responsible for more than half of trading.

The next most active stocks are: Companhia Vale do Rio Doce, the state-controlled mining group; Petrobras, the state-controlled petroleum concern; and Eletrobras, the state-controlled energy company.

These stocks have long been considered bargains, but the scene may be changing. Not long ago, traders habitually called attention to what they believed was a low price for Telebras stock in comparison with other Latin American telecommunications companies, such as Mexico's Telmex. Now many believe that Telebras is reaching its level.

Mr Teixeira says: "There is a saying: 'When you don't know companies, you buy names.' That also happened in Mexico and Chile." He believes the early, "smart" money gave the market an initial boost, but that now serious macroeconomic reform and company profitability should begin to weigh in more on market performance.

Chase's Mr Buchenrode thinks foreigners are prepared to take the plunge into second line stocks. To date, low liquidity has been an additional deterrent to buying into the second line. "There is concentration in blue chips. That's where the liquidity is," Mr Buchenrode says. "But when there is an offering of good paper, people snap it up."

Many "second line" companies are industry leaders in Brazil, but nearly all have been hit hard by the current recession. Mr Buchenrode expects more new issues in the second half of this year, with greater use of underwriting. "But companies won't want to make offerings when stock prices are below book value," he warns.

EUROPE

Milan and Madrid gain in quiet trade

MOST bourses were closed for the Ascension day holiday, but Milan and Madrid produced gains yesterday, *writes Our Markets Staff*.

MILAN, which had broken its rising trend on Wednesday, returned to the upgrade yesterday with the Comit index closing 1.97 higher at 494.62.

A strong performance by the banking sector, assisted by foods, provided the base for yesterday's recovery. Last week's rally had centred on the industrial sector, noted Mr Michele Pacitti of County NatWest; banks had been left behind, partly because there were (somewhat unlikely) rumours that the state might sell off part of its holdings in Credito Italiano and BCI.

Credito Italiano gained 4.4 per cent on what some dealers described as short-covering, closing L74 higher at L1,773; Banco di Roma closed L67 higher at L2,005, but surrendered L5on the kerb; and, on-screen, BCI touched a high of L3,195, but settled back to L3,155, up L30 at the close.

MADRID generally ignored the half-day general strike, which appeared to have limited success, with reports of public transport running normally in many parts of the country. The unions had called the action in protest at the government's public spending cuts. The general index gained 1.03 to 259.04 in volume of some Pta10bn, with strong foreign interest noted.

Telefónica, Repsol and Iberdrola accounted for some 30 per cent of market volume. The telecommunications group gained Pta5 to Pta1,165 with some 1.2m shares traded. The company has been gaining ground since announcing earlier in the month that it was to raise its dividend - the first time since 1979.

Iberdrola II advanced Pta47 or 9 per cent to Pta547 following comments on Wednesday by the chairman of Iberdrola I that the merger of the two utilities should be completed by the end of the year.

The banking sector was generally firmer following weakness this week after reports that some banks faced bankruptcy this year. Santander was Pta90 stronger at Pta4,765, having lost Pta250 over the past few days.

DUBLIN, which had been easing backwards this week, started lower and stabilised later yesterday, the ISEQ overall index closing only 0.44 lower at 1,381.36.

Mr Paul Burke of Davy Stockbrokers in Dublin said that the apparently flat trajectory of the market this year had concealed early strength in industrials and foods – the former broken recently by disappointing 1992 prospects for Jefferson Smurfit, the paper and packaging group – and a early lag in performance by Ireland's financials which have since come through to support the market.

ISTANBUL fell sharply following a rise in interest rates at Wednesday's three-month Treasury bill auction. The index closed down 58.37 at 3,233.16 in turnover estimated at TL117.5bn, down from TL130bn previously.

The Treasury sold bills worth TL1.67 trillion, up from TL241bn in the previous auction.

Prices of 61 shares fell, 18 rose and 42 finished unchanged. Among active stocks Eregli rose TL50 to TL3,250 while Tupras and Cukurova Elektrik were both unchanged at TL3,700 and TL5,300 respectively.

● South Africa was also closed for a public holiday.

FT-SE Eurotrack 100 - May 28†

Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1195.31	1195.61	1194.96	1194.34	1194.54	1194.21	1194.89	1195.22†

Day's High 1195.80 Day's Low 1193.74

May 27	May 26	May 22	May 21	May 20
1194.56	1198.37	1197.48	1187.57	1187.62

Base value 1000 (26/10/90) † Partial.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	WEDNESDAY MAY 27 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 26 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (115)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (104)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (65)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (473)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (228)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (522)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (791)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (100)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (717)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro - Pacific (1508)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (637)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (563)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (244)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1702)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1996)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2163)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1751)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2224)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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